EVALUATION OF MARKETING PROGRAMS

OF

PHARMACEUTICAL MANUFACTURERS

by

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B. S., Purdue University
1942

SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF
MASTER OF SCIENCE

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
1954

Signature of Author .....
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Title of the thesis: Evaluation of Marketing Programs of Pharmaceutical Manufacturers

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Submitted to the School of Industrial Management on May 17, 1954 in partial fulfillment of the requirements for the degree of Master of Science

Problem

Because of the interrelated nature of pharmaceutical products marketing programs, there is reason to believe that certain areas of conflict have arisen between manufacturers, drug wholesalers, retail and hospital pharmacists, and physicians. This thesis is an attempt to evaluate specific sales practices engaged in by manufacturers and other groups within the pharmaceutical industry.

Scope and Limitations

Different questionnaires concerning manufacturers' marketing methods and intergroup relationships were sent to 245 retail pharmacists, 43 hospital pharmacists, 50 drug wholesalers, and 111 medical doctors for a total of 449 questionnaires mailed to cities within a 150-mile radius of Boston, Massachusetts. The retail pharmacists returned 60 questionnaires, or 24.5 per cent of those mailed; the drug wholesalers returned eight questionnaires, or 16 per cent of those mailed; the hospital pharmacists returned 15 questionnaires, or 35 per cent of those mailed; the medical doctors returned 35 questionnaires, or 34.2 per cent of those mailed. A total of 121 questionnaires was returned, or 27.4 per cent of the questionnaires mailed.

There were 46 interviews, 13 of which were by telephone. The interviews were with retail pharmacists, manufacturers' sales managers, and drug wholesalers.

The large scope of the survey limited the results to generalities rather than to a detailed analysis.

Procedure

The pharmaceutical marketing practices in specific areas were established through questionnaires and personal interviews. The data were then compiled and discussed according to the questions asked. No direct quotes could be made because those interviewed would have been reluctant to discuss certain marketing practices.

To aid the reader to understand the marketing methods employed, part of the thesis is devoted to a discussion of drug distribution methods and a glossary of terms used in discussing these methods.

Conclusions

1. There is little difference between the representatives and marketing methods employed by small or large manufacturers.
2. Even though the small local manufacturers are not held in high esteem by the various groups surveyed, they are gaining greater acceptance. This is due to the lower price of their duplicate products, establishment of friendship in the medical profession, and other types of inducements.

3. On the whole, the manufacturers' representatives are held in high esteem by all groups surveyed. They are considered very helpful.

4. Physicians are inclined to favor representatives of large manufacturers with extensive research facilities.

5. Two main complaints against the selling methods employed by representatives is their use of high-pressure and desecration of a competitor's product.

6. The retail and hospital pharmacists are very well satisfied with the service, speed, and convenience offered by drug wholesalers.

7. The purchase of drugs from wholesalers instead of direct accounts with manufacturers is bound to increase as the practice of duplicating new products becomes more prevalent.

8. The retail pharmacists desire a 40 per cent discount and the drug wholesaler desires a 20 per cent discount from the manufacturers on the resale price of drug products.

9. Retail pharmacists, as a group, do not offer sufficient special services to attract physicians to the pharmacy so as to better inter-professional relationships.

10. Minimum order quantities for direct account purchases should be in the range of $25-50 for the retail pharmacist and $50-100 for the drug wholesaler.

11. Except for drug wholesalers, "deals" are favorably received by the groups surveyed. The main complaints seem to arise from the fact that pharmacists purchase too large quantities and representatives do not follow-up on their return visits to see that the "deal" is being aggressively merchandised.

12. Return-goods complaints arise mainly because of poor inventory control on the part of the pharmacist. Manufacturers should at least make an effort to remind the pharmacist to check his stock for products approaching the credit guarantee time limit.

13. The use of "free-goods" is very prevalent. This is a temporary method of inducing sales that can do more harm than good.

14. Retail and hospital pharmacists desire free samples of new products for their stock so as to be able to fill the first prescription without investing in an untried product.

15. More latitude should be given representatives as to the amount of samples they are able to give a physician.

16. Most samples are ineffective, as they are primarily given to show the physical characteristics of the product. More consideration should be given to samples which would provide the patient with a full course of therapy.

17. The majority of physicians and retail and hospital pharmacists desire copies of medical articles dealing with the therapeutic use of new products.

18. The retail pharmacists are very desirous of a small, fairly inexpensive new product introduction size containing enough to fill one or two prescriptions.

19. Substitution for the prescribed product brand is quite prevalent. However, the opinion was gained that the physicians and drug wholesalers expect the manufacturers to detect and prosecute those involved in substitutions.

Thesis Supervisor: Ross M. Cunningham
Title: Professor of Marketing

May 17, 1954

Professor L. F. Hamilton
Secretary of the Faculty
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Dear Professor Hamilton:

In accordance with the requirements for graduation, I herewith submit a thesis entitled "Evaluation of Marketing Programs of Pharmaceutical Manufacturers."

I wish to express my sincere appreciate to Professor Ross M. Cunningham, my thesis advisor, for his assistance and patience, and to members of the pharmaceutical industry for their time and interest in this thesis.

Sincerely yours,

Joseph Ignatius Lisaius

TABLE OF CONTENTS

LIST OF TABLES

FOREWORD

This thesis is an attempt to survey, study, and report on certain segments of the marketing practices in the pharmaceutical industry. This is an endeavor to report the present day local level situation.

Personal interviews and questionnaires were the techniques used in ascertaining acceptable and unacceptable marketing practices. An attempt was also made to evaluate, without bias, the information and statements obtained at interviews. No doubt, because of the position of the persons interviewed, some of the statements have been heavily colored and do not indicate the true picture. Whenever a distortion in the statements was recognized by the author, due to his personal experience and knowledge, comments were made to note them.

A certain amount of secrecy still exists in the pharmaceutical industry, even in this day and age. Some of the concerns are family-owned and controlled, and others are involved in extremely competitive situations. Therefore, the statement of a graduate student that the thesis will be made confidential is not always enough to allay suspicion.

The most significant factor in the difficulty of extracting information is the known fact that certain marketing practices employed are illegal. No attempt is made in this thesis to point out these conditions.

To obtain answers to certain prying questions in both the interviews and questionnaires, it was necessary to promise to withhold the

names of the people reporting. For that reason, no reference will be made to many of the sources of information, nor will they be listed in the bibliography.

This is a most complex marketing field, both as to sales practices employed and as to the various drug outlets involved. Many pertinent and interesting reasons given for certain opinions and practices might bear further investigation. It is hoped that enough interest will be created by this thesis so that others will complement and expand specific areas.

CHAPTER I

THE PROBLEM AND DEFINITIONS OF TERMS USED

I. THE PROBLEM

The pharmaceutical industry has an interrelated marketing or sales program which includes the manufacturers, drug wholesalers, retail drug-stores, hospital pharmacies, and physicians.

Since there is reason to believe that conflicts have arisen in certain selling areas because of the marketing methods employed, this thesis is directed toward the evaluation of sales practices engaged in by pharmaceutical manufacturers.

II. PURPOSE AND JUSTIFICATION OF THE PROBLEM

To provide the impetus for the drug product to be purchased for its use on prescriptions, various sales methods are employed. Not all of these sales practices are accepted by those involved in drug products distribution.

The function of this thesis is to survey and report the various sales practices, such as distribution, sampling, literature, discount terms, purchase inducements, rebates, duplications, and substitutions.

The problems are aggravated and multiplied by the introduction of numerous new products by both large national manufacturers and small local manufacturers.

The March, 1954 Journal of the American Pharmaceutical Association,

Practical Pharmacy Edition,[1] contains a new prescription products index covering a period from September, 1953 to March, 1954. There are listed 125 separate items introduced by 55 different manufacturers, an average of over two items per manufactorer, or one new item every three months per manufacturer. Some of the manufacturers issued only one new item in that period, while concerns such as Abbott Laboratories and the Upjohn Company had eight each, and Eli Lilly and Company had seven new items.

Mr. H. Aaron, Research Director of National Drug Company, told the American Pharmaceutical Manufacturers Association,

> "Drug manufacturers are flooding the market with too many products that stand little or no chance of success. Sales departments desire to maintain volume even if it takes 100 new products a year."[2]

This thesis is justified in that it is an attempt to recognize, develop, and report the controversial problems existing in the pharmaceutical industry. By pinpointing the grievances that exist, from direct information obtained from the people concerned, it is hoped that a greater interest and harmony will be developed in this field. This thesis is also justified in that all points of view, whether they be favorable or unfavorable, have been stated.

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[1] "New Prescription Product Index," Journal of the American Pharmaceutical Association, Practical Pharmacy Edition, Vol. 15, No. 3, pp. 139-140, March, 1954.

[2] H. Aaron, "Drugs, Too Many and Too Costly," Consumers Report, 14:229, May, 1949.

III. DEFINITIONS OF TERMS USED

A. R. B. (any reliable brand). There has been a program instituted, especially in the New York Metropolitan area, to induce physicians to use A. R. B. on their prescriptions.[1] A. R. B. means "any reliable brand". The thought behind this program is to allow the pharmacist to fill a prescription with the brand of drug he has in his stock regardless of the brand called for on the prescription. It is hoped that this addition of A. R. B. would reduce duplications in the pharmacist's stock, with the resultant saving in his capital investment. It would also allow the pharmacist to purchase the brand of drug which would return the most profit to him.

Deals. A "deal" is really an offer of free goods if an item is bought in quantity. Most "deals" apply to cosmetics and proprietaries. In recent years, many ethical items, which have been cleared for over-the-counter sale but not advertised to the public, are sold in "deals". Other "deals" are directed toward physicians and include mainly office-used drugs.

"Deals" allow progressive amounts of free goods. With one dozen purchased, one is usually given free. If two dozen are purchased, there are three given free; and with three dozen bought, six are given free. Only last year, one concern, in an effort to maintain its competitive position, stocked the physicians so that no other concern would be able to sell to them for some time. This was accomplished by giving one

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[1] "Generic Rx Name Move 'Explosive', Jefferies Counsels," Drug Trade News, Vol. 29, No. 8, p. 20, April 12, 1954.

gross free with one gross of vials purchased. This was one for one, or a 50 per cent reduction. "Deals" are time-limited, otherwise they would become price reductions.

One large manufacturer calls "deals" "special offers". This has a nicer connotation in their minds and, they hope, in the mind of the purchaser.

Detail. The representative of a manufacturer details a physician or pharmacist on a product. To a physician, he would indicate the particular uses of the product, its convenience, and any superior physical characteristics. To a pharmacist, the representative would review in his detail the packaging (sizes) of the product, the frequency of use by physicians in the pharmacist's locality, its superiority over competitive items, and the price.

In other words, detailing is describing the product and its use to encourage its purchase either directly by the retail druggist in anticipation of prescriptions, or indirectly by its use on prescription by the physician. Detailing creates the demand for most ethical pharmaceuticals.

Direct account. A direct account is a retail store, physician, or hospital that orders directly from the manufacturer. Wholesalers are direct accounts, also. However, the term tends to apply more to those establishments in the distribution channels closest to the consumer, the patient.

Even though direct accounts and their operations are discussed in other sections of the thesis, it might be worth-while to elaborate

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generally here. A direct account receives a preferential discount for buying the manufacturer's particular brand of merchandise. This is especially helpful because in relation to similar competitive drugs, the product with the greatest profit margin will be the one "pushed".

Direct accounts are also useful in obtaining rapid placement of new products. Many direct accounts agree to accept unrequested or automatic shipments of new products from the manufacturer for which no specific order was placed. Direct accounts are usually substantial stores in key positions, which are able to handle the first few prescriptions. Only after the demand has been created are smaller stores willing to purchase new products from their wholesalers.

Duplications. The term is quite descriptive of what is actually involved. Almost any popular drug product will invite the issuance of duplications if it is not patented or protected in some other way, such as a secret manufacturing process. Duplications are usually distinctive as to brand name, color, shape, and flavor. The selling detail expounds the original and expanded indications for use.[1] It includes points of superiority attributed mainly to the "revised" physical form.

Free-goods. This is a method of reducing the effective price per unit without altering the established invoice price for the product. It is done by the representative giving the purchaser samples. Let us take as an example a competitive situation involving manufacturer "AO's" 10-cubic centimeter vials of penicillin suspension priced at $1.65 each,

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[1] "Sees Market Research as Solving Duplication," Drug Trade News, Vol. 29, No. 5, p. 2, March 1, 1954.

or $18.00 per dozen vials. Manufacturer "BO" has priced his penicillin vials at $1.47 each, or $16.00 per dozen vials. Therefore, manufacturer "BO" has a price advantage of $0.18 per vial, or $2.00 per dozen vials. Manufacturer "AO" has no desire of relinquishing his penicillin vial sales to manufacturer "BO", nor does he wish to reduce his invoice price. Manufacturer "AO's" representatives will receive a liberal supply of sample penicillin vials for distribution to physicians at this critical moment. Now when a pharmacist refuses to order manufacturer "AO's" penicillin vials because of the unfavorable price as compared to manufacturer "BO's" price, three of the sample vials, intended for distribution to physicians, will be offered as free-goods. The pharmacist is able to calculate that 15 vials of penicillin for $18.00 amounts to a price of $1.20 per vial. This is $0.13 less than the $1.33 price per vial charged by manufacturer "BO" when his penicillin vials are purchased in one-dozen lots.

The use of free-goods has many variations. It is not necessary to offer samples of the product being purchased. The samples may be of another product desired by the pharmacist. The important thing to remember is that the samples have a value. By subtracting this value from the products being purchased, their actual cost to the pharmacist is determined.

Guaranteed sale (returned goods). Almost every manufacturer has a policy guaranteeing full credit for products returned unopened within a specified period of time after their purchase. Another way of stating this returned-goods policy is to guarantee the sale of the product. That is, if the product is not sold, full credit will be given upon its return

to the manufacturer.

Imitations. Imitations are exact duplicates of the original popular drug item even though the brand name is different. No attempt is made to add physical individuality to the product. Imitations are sold on a reduced price basis as compared to the original. The price difference is usually enough to make the proposition attractive to the pharmacist. Imitations are used to fill prescriptions calling for them under their brand name, and also those prescriptions calling for the original product they duplicate.[1]

It is best to consider duplications, imitations, and substitutions as a group. They are usually related as to meaning and function.

Sample buyers. This is a fringe element of the pharmaceutical industry. Sample buyers have no interest in drugs other than as a source of income.

The mode of operation is to establish a route of physicians who are their confederates. The physicians receive samples of drugs through the mail or directly from manufacturers' representatives. Some of the physicians are known to ask for more samples than is customary for the representative to leave when making a call, so as to have a larger supply to sell the sample buyers.

Other sources of samples are the office nurses, receptionists, and janitors. In these cases the physician is an unsuspecting party to the transaction. The physician may not use any samples or certain types of

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[1] Robert L. Swain, "Substitution Cure," Drug Trade News, Vol. 29, No. 4, p. 36, February 15, 1954.

samples. If this is known, the nurse or receptionist will make a collection of unwanted samples for future sale. The janitors, usually in large medical buildings, find discarded samples in the trash baskets. These are culled out and saved for the sample buyer.

The sample buyer carries a large brief case similar to those employed by medical representatives, so that he will be inconspicuous when he calls on his sources. There is no checking of the sample stock. After a fast appraisal, an offer of $5.00 or $10.00 is made. If the offer is satisfactory, the samples are then emptied into the sample buyer's bag.

The nurse or receptionist may deal with a sample buyer or a close-by pharmacist. If the samples are taken to the pharmacist, it is less likely that this will be a money transaction. The exchange is made for items carried in the store useful to the sample seller, usually cosmetics, cigarettes, and toilet articles.

Physicians also deal directly with the local druggist. A gentlemen's agreement is usually reached whereby the physician can help himself to a box of razor blades, shaving cream, a carton of cigarettes, or a handful of cigars. Since the exchange is usually a friendly, mutual-benefit program, money does not enter the transaction.

Sample buyers sort their collection and then peddle the items for as much as they can get. Since both the original sample buyer and the pharmacist know the standard purchase price, these samples are discounted sufficiently to make their purchase profitable.

Destrippers. This is an added operation of sample buyers. Most of the tablet samples collected are hermetically sealed in transparent

film or aluminum foil. To make up an authentic-appearing stock package, the sample tablets must be cut out of the display pockets. When a sufficient amount is collected, they are filled into used bottles which still have the proper labels attached.

Destrippers have samples of many different batches in their collection. The mixed tablets are poured into a used bottle of still another code. If the drug reacts improperly, the manufacturer cannot stop the use of the particular batch at fault because the proper batch code has been lost in the destripping transaction.

Substitution. Substitution means, literally, to fill a prescription with a product other than the one prescribed.[1] The substitution is not in terms of changing the chemical or drug called for, but usually a change in the brand of chemical or drug prescribed. For instance, if the prescription called for brand "A" and the pharmacist had the called-for chemical or drug manufactured by another concern and named brand "B", he could not ethically supply brand "B" in place of brand "A" in filling the prescription. If he did, this would be substitution.

Let it be clear that this applies only to brand names.[2] If the prescription is written with the chemical or common name, without reference to a manufacturer, the pharmacist is free to fill the prescription with the brand he has in stock that meets the strength and quality

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[1] Robert L. Swain, "Costly NDTC Failure," Drug Trade News, Vol. 29, No. 1, p. 40, January 4, 1954.

[2] Robert L. Swain, "Real Substitution Cause," Drug Trade News, Vol. 29, No. 5, p. 42, March 1, 1954.

requirements. In all cases of this kind it is understood that the prescription ingredient(s), unless specified otherwise, will meet the requirements of the most recently published United States Pharmacopoeia or the National Formulary. If the ingredient(s) are no longer included in the most recent editions of the U.S.P. or N.F., they will meet the requirements of the last edition in which they were included.

The majority of those engaged in the pharmaceutical industry agree that substitution is legally and ethically an unsound practice.

Switching. The practice of switching usually means changing the brand requirements on a prescription. The term is also used to a much lesser degree to describe the operation of a representative in convincing a physician to change his brand allegiance. However, the first meaning is the most important.

Let us assume a physician has written a prescription calling for an ingredient(s) of a particular brand. The pharmacist to whom the prescription has been delivered finds he has the required prescription ingredient(s), but under a different brand name. To avoid duplication of stock by purchasing another supply of the same ingredient(s) under the brand name called for on the prescription, he will telephone the physician issuing the prescription to ask for permission to fill the prescription with other than the called-for brand. If permission is granted, the pharmacist has thereby switched the brand requirements of the prescription and nullified the efforts of the manufacturer's representative in convincing the physician to prescribe his brand.

The small local manufacturer. The pharmaceutical manufacturers are generally divided into those who distribute nationally and those

who have a sectional following. Some of the small manufacturers, with worth-while specialty items, also enjoy national coverage.

In recent times, the small local manufacturer has come into the picture more and more. The owner is usually someone well-known in the pharmaceutical trade. He has been a well-known representative for a large concern, or a pharmacist in a large hospital. He may have a manufacturing plant employing a few people, or he may purchase his drug items compounded and repackage them for distribution.

The small local manufacturer becomes a problem when he begins to use his influence to promote duplications or substitution products. Having contributed nothing new, he absorbs some of the business created by the original manufacturer. In itself, competition is a healthy and invigorating practice. However, when it induces the use of questionable marketing methods, the industry as a whole suffers.

Turn-over orders. Representatives of manufacturers not selling directly to physicians, or those manufacturers not selling directly to retail drugstores, will often try to place new products or "deals" with physicians or retail stores. The actual selling agent, whether it be the retail store selling to the physician or the wholesaler selling to the retail store, will also be selling the new product or "deal". For example, let us take a case where the manufacturer sells only to a wholesaler. If the representative sells a retail drugstore a "deal", he cannot have the order delivered from the factory. The representative takes his order and turns it over to the wholesaler for filling. Where a manufacturer sells to drug retailers but not to physicians, if the representative obtains an order from a physician, he will turn the order

over for filling to the drugstore, designated by the physician, that has a direct account with the manufacturer.

The pharmacist sets the price of the items delivered to the physician. This is usually list price less a professional courtesy discount. The pharmacist, of course, receives his trade discount whether he buys from a wholesaler or direct.

In some cases, turn-over orders are not filled by the wholesaler or retail drugstore. The items are shipped directly from the factory without any intermediate handling. However, the retail store or wholesaler is aware of the transaction and receives a discount credit for the goods sold, which is usually less than what he would have realized had he filled the order.

CHAPTER II

REVIEW OF THE PHARMACEUTICAL INDUSTRY'S METHODS OF DISTRIBUTION

I. BACKGROUND INFORMATION RELATED TO THE PROBLEM

The "roaring forties", with their "miracle drugs", brought the retail drugstores out of the doldrums of the "thirties" where they had been placed by the depression and intense competition of chain drugstores.

In 1933, the recovery of the drug industry was initiated by the introduction of sulfa drugs, the first of the modern "miracle" drugs. In 1939, penicillin came into being, but not for general use. Uses associated with World War II, which followed shortly after, consumed almost the entire supply.

The year 1945 saw the introduction of streptomycin; 1948 was the year aureomycin and chloromycetin were introduced; and 1950 was the year terramycin was introduced.

The above-mentioned drugs, with the exception of penicillin, were and still are among the biggest moneymakers ever known to pharmacy.

During this same period, the antihistamines for the treatment of allergic reactions, and anticholinergics for the treatment of peptic ulcer were introduced along with many other specialty drugs, specialty drug combinations, and duplications of these specialties under different brand names.

It became apparent to pharmaceutical manufacturers, after the

introduction of these "miracle" drugs to the medical profession and the public, that there was considerable undeveloped and unfulfilled demand for new or improved pharmaceutical products. Unfortunately, all the manufacturers started to develop means of obtaining a share of the expanded health market. The use of some of these products in the treatment of the men in the armed services had acted as a large-scale clinical and advertising program to the public.

Those manufacturers who were not fortunate enough to discover a new drug formulated a specialty product by adding other beneficial ingredients or improving the physical characteristics of an existing drug. This was the era when the prescribing physicians and the prescription-consuming patient were convinced by the various improvements that medicine no longer needed to "taste like medicine".

As the number of drug products on the market grew, so did the intensity of selling them. Manufacturer representative forces were increased. Advertising in medical journals and by means of direct mail rose astronomically. Eventually, many drug products not protected by patents or exclusive processing methods "caught on" and became very popular.

Physicians and pharmacists have preferences like anyone else. The preference might be a better price, better service, friendship, added discounts for a greater volume of total business, and many others. Using any or all of these reasons, it is possible to establish another drug product, another source of supply, another selling effort, and possibly another system of distribution.

The retail pharmacist must now buy, stock, and dispense two different brands of the same drug; in other words, duplicate the original product stocked. Ethically, legally, and morally he is bound to dispense the brand of drug called for on a physician's prescription.

II. THE DISTRIBUTION CHAIN

As one writer aptly stated:

> "For the growing pharmaceutical industry problems of getting the drugs from the manufacturer vary from concern over allocation of new drugs to how far to go in the use of knees and elbows in making a sale." [1]

At the turn of the century, local drug houses sold directly to the local physician, who was usually a general practitioner. The physician dispensed drugs out of his bag and did most of his own compounding. At a later date, the drugstore came into being. Physicians were allowed, as a trade courtesy, the free run of the drugstore to fill their little bottles from the pharmacist's supplies.

Mr. E. A. Toomey has the following comments to make about drugstore operations and relations with physicians in 1906:

> "I have been in the retail drug business since 1906. In a little Massachusetts city of 31,000 there were 30 retail drug stores, only a few of which had soda fountains. There were possibly 100 M.D.'s, osteopaths, homeopaths, dentists, and veterinarians (there are usually three of these to each pharmacy, roughly) upon whose prescriptions the druggist depended mainly for his livelihood. Of course the druggist also sold alarm clocks, fountain pens, White & Wycoff boxed stationery, boxed candy, spices such as mustard seed, turmeric, ginger root, peppermint and pennyroyal leaves, dill, and Duffy's Malt Tonic.

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[1] John F. Bohmfold, Jr., "The Modern Pharmaceutical Industry," Chemical and Engineering News, 25:4182-85, October 12, 1953.

This last was actually a fairly good grade of Canadian Scotch malt whisky and was highly prized by members of sects opposed to the use of intoxicating liquors. Ayer's Cherry Pectoral, offered as a remedy for colds and coughs, was rated with ribaldry by the cognoscenti of the retail drug field as the "teetotaller's toddy.

"Retail drug stores in 1906 were fairly self-sufficient. They kept in the back room a rack mounted on a bench to support 12 or 15 cone-shaped percolators in which they extracted from senna, nux vomica, digitalis, serpentaria, cohosh, grindelia, etc., such tinctures or fluid extracts as might be required for prescriptions. We knew full well that should the M.D. possess a portable vehicle to supply running water, gas for heat, glassware and mortars, pestles, ointment slabs, and a drainage system to carry off waste after cleaning up, he could snub us and leave us flat, for usually he knew both what he wanted and what it should look like after it has been compounded." [1]

Today the distribution chain has lengthened considerably. It begins with the chemical manufacturer and ethical pharmaceutical producer and then passes to the wholesaler or large consumer, such as the direct account.

Today 90 per cent of the drugs sold are formulated, compounded, and packaged by the pharmaceutical manufacturer, as compared to 10 per cent twenty years ago. This is an indication of the changing trend in the duties of a retail pharmacist. As one district sales manager described the pharmacist's duty, it was "making small bottles from a big bottle."

The economic functioning of this distribution chain is extremely unwieldy. Some of the antacid preparations have a factory cost of 10 per cent of the retailer level selling cost. As a general average, major drug companies experience a selling cost of 20 per cent of the sales price on products detailed to physicians. This can be understood when

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[1] E. A. Toomey, "Drugs on the Market," Chemical and Engineering News, Vol. 31, No. 50, pp. 5156, 5158, December 14, 1953.

it costs major drug firms $7.50 to $12.00 to have a representative call on a physician.

The distribution of drugs is divided into two basic classes: the entirely new drugs which are unique or superior to anything on the market; and those which are competitive drugs, either brand-named or not, similar, for all practical purposes, to a number of products for a specific illness.

A good new drug sells itself and the distribution problem with this type of product may well be allocation. The distribution of competitive drugs is the fundamental problem. Most drugs are consumer, nondurable goods, the consumption of which is limited by the disease for which it is indicated. So the battle of distribution becomes a battle of dividing up the market. Here another division must be made between brand-named and unbranded drugs, such as penicillin. At the level of competing unbranded drugs, anything goes in making a sale. Consequently, the problem boils down to exact method of distribution, be it through direct accounts or through drug wholesalers.

III. REVIEW OF EXISTING DISTRIBUTION METHODS

It would be difficult to treat this as a comprehensive subject; therefore, it is broken down into as many complete entities as possible.

A. DIRECT ACCOUNT

Direct selling exists in two main forms: one is to sell direct to physicians, retail drugstores, and hospital pharmacies by means of a representative, and the other direct selling method is by mail.

Selling by mail alone can be discounted in this study. It is still

being done, but in a limited volume and in limited areas, such as rural territories. Its main appeal is lower prices which the seller claims are due to the lack of maintaining an expensive personal selling force. Some of the older specialties which have been established and have a following are sold by mail and quite profitably.

The other form, and the one of greatest interest, is direct selling by a personal sales force to physicians, retail drugstores, and hospital pharmacies. Even though the selling is accomplished by a representative, it should not be confused with detailing by the representative to induce the physician to prescribe the drug product and the retail pharmacist to purchase it from a source other than the manufacturer, e.g., from the wholesaler.

Direct selling involves the use of direct accounts; in other words, the establishment of outlets at the retail level for the manufacturer's products. When this done, there is the need for voluminous accounting, credit rating determinations, observance of minimum order quantities, requirements to carry the manufacturer's full line, contractual yearly purchases, and many other details.

Abbott, Parke-Davis, Squibb, and Upjohn employ direct accounts as their main means of distribution. This is a difficult method as it is necessary to service a great number of accounts numbering in tens of thousands (Upjohn is said to have 40,000 direct accounts), with the resultant problems of credit and collection, and maintenance of regional warehouses. However, some of their drug sales volume does pass through the drug wholesaler.

Direct selling does have advantages. It is more flexible and better able to meet changes in marketing or competitive policies. Another advantage is the availability of the usual 20 per cent discount (some are 15, 16 2/3, and 18 per cent), which is given to the drug wholesaler. However, all of this is not available as profit, since direct account concerns have heavy warehousing expenses. Parke-Davis has 12 branch distributing warehouses about the country, while Upjohn has 14. Then there are the "picking", repacking, and shipping costs from warehouse to retail drugstores. Of the 20 per cent drug wholesalers' discount saved, it is estimated that the direct account selling costs take 14.5 to 15 per cent of the sales dollar, as compared to drug wholesaler McKesson and Robbins' 13 per cent of sales selling cost. Any additional sales volume of a direct account type usually adds only a small incremental cost, whereas the same additional sale through a drug wholesaler would cost the flat 20 per cent rate. It also allows the manufacturer to spot key accounts where they will serve the greatest part of the market at the least expense. It shortens the distribution time because it allows new products to be sent directly to the source of use.

B. DRUG WHOLESALER

This method is the opposite of direct selling. Even though only a few of the larger pharmaceutical concerns employ this method, many of the smaller pharmaceutical concerns would not be able to exist except for the drug wholesaling method of distribution. Selling through the wholesaler has many benefits. There are fewer accounts to keep; worries concerning credit losses are greatly decreased; size of ship-

ments are increased with resulting economies; representatives are better able to spend their time detailing physicians instead of checking retail store accounts. A greater retail drugstore coverage is maintained at more frequent intervals by the wholesalers' salesmen and by the wholesalers' lower or nonexisting minimum purchase requirements, which is especially helpful in obtaining wide distribution in small, out-of-the-way retail drugstores.

Until recently, drug wholesalers provided only a service function. They now have sales forces that actually sell on a more or less programmed basis. Some of the difficulties of this selling service are the necessity of having one's own representatives check the stores covered by the wholesaler's salesmen; to turn-over order taken by the manufacturer's representatives to drug wholesaler and to provide "P-M", commonly known as push-money, to the salesmen to give the manufacturer's brand preference when the retail store pharmacist is not specific.

The main purpose of a drug wholesaler is to act as a warehousing establishment. New products or those seldom called for can be readily obtained from a wholesaler. There is no need for a pharmacist to invest capital in stock that may never be called for, as he can obtain it as needed from the drug wholesaler.

Eli Lilly is the largest company to employ the drug wholesaler distribution method. All of their sales are limited to some 250 drug wholesalers. A discount rate of 16 2/3 per cent off list price is allowed the drug wholesaler with an additional 5 per cent for dispensing Eli Lilly goods on unspecified orders. In spite of this distribution method, Eli Lilly has a sales force of 830 men. As most drug wholesalers

have their own line of volume drug items, it behooves Eli Lilly to protect its full product line by making frequent calls on physicians and retail drugstores as a service and good-will gesture to remind them to specify Eli Lilly products.

Many small firms such as Searle, Lakeside, Robins, and Sandoz have accepted the wholesaling method of distribution instead of having direct accounts. The expense of setting up their own distributing and contacting service would be too costly for small pharmaceutical manufacturers.

Direct account purchasing appeals to large retail drugstores and drugstore chains because of their economic bargaining power to obtain quantity prices while drug wholesalers can effectively service the small, independent retail drugstores whose requirements are limited.

C. DIRECT ACCOUNT AND DRUG WHOLESALER COMBINED

This is nothing more than a combination of direct account and drug wholesaler distribution. The simplicity of the definition does not parallel the complexity of the problems this type of selling creates. The most important problem appears to be the inequality of prices paid by the independent retail drugstore buying through the drug wholesaler, as compared to prices paid by the direct account. Lederle Laboratories, Division of American Cyanamid, uses the multiple channel method of distribution. In selling to retail stores, it even goes further and uses some of the larger ones as depots or drug wholesalers.

The key to the entire problem is the discounts offered the drug wholesalers and direct accounts. If they are the same and the number of direct accounts is limited because of contractual or minimum order

purchase requirements, the share of the market is limited on competitive items. The only answer seems to be to offer price and promotional concessions for competitive items to direct accounts, but no additional discounts on specialty products.

Parke-Davis allows additional discounts when competitive items are purchased on the same order with specialty items. Thus the overall bill includes a special consideration which is nothing more than a price reduction on competitive items. Other means of competitive action through the direct accounts is to contract for the purchase of specific quantity of tablets, ampules, and vials which allows a year-end percentage or dollar rebate, depending on the quantity actually purchased.

CHAPTER III

MATERIALS AND GROUPS STUDIED

I. PROCEDURE

The problems of marketing pharmaceuticals are many. The methods employed must be varied for each class of trade. A method found satisfactory with one group will meet with resistance from another group. It would be best to employ different methods for different classes of trade. However, the expense of such selling operations could not be maintained for any length of time. Nor would the interrelation of the various trade groups allow the use of the best method for each of them. Every trade group would be certain that the related groups were obtaining some advantage. The representatives would be inefficient trying to maintain group distinction.

As it is, the selling methods employed are a conglomeration; some specific to the class of trade, others applying to all classes.

It is a perplexing problem to decide how much influence the representative's conduct has, apart from the uniqueness of the drug products he is selling, in influencing a sale. It is not the purpose of this thesis to attempt to determine the selling efficiency of intangibles. The purpose is to obtain the opinions of those involved in the various classes of trade as to their likes and dislikes of the various selling methods employed by the pharmaceutical manufacturers. So as not to obtain only the drug wholesalers' and retailers' opinions, manufacturers'

sales managers were interviewed and questioned as to their reasons for employing methods not entirely favored by their customers.

It was also thought necessary to obtain information about selling methods from within a trade group. The manufacturer may not be involved, but it is to him that all others turn for opinions or corrections. All of the above comments had to be considered when the materials and groups to be studied were selected. The field was too broad for any comprehensive discussion of any one complaint or criticism. The answers were guides pointing toward the conflict. Further research may determine the the reasons for and the correction of the marketing methods.

The cities selected were of sufficient size to allow approximately 20 retail pharmacists to be placed on the mailing list. The classified section of the 1954 telephone directory was the source for obtaining the names. When the cities were too small for random selection of names, all the names were selected to receive questionnaires.

In Hartford, Connecticut and Providence, Rhode Island every fifth pharmacist's name was taken to give at least 20 per cent coverage. In two instances, multiple listings of adjoining towns in one directory caused a deviation in the selection procedure.

The Hospital Pharmacist Questionnaires were sent to at least two hospitals in each city. The selection was made from the classified section of the telephone directory. Some of the cities to which Retail Pharmacist Questionnaires had been sent were used. Other cities were substituted to improve the scope and to reduce the possibility of comparisons between the two groups.

The Drug Wholesaler Questionnaire was sent to at least one drug

wholesaler in the cities receiving Retail and Hospital Pharmacist Questionnaires. Where the city had more than one wholesaler, those were also included on the mailing list. It was difficult to obtain a sufficient number, as most of the smaller cities are serviced by wholesalers from the largest city close by. When it became apparent that the mailing in the area covered by a 150-mile radius of Boston would be insufficient, additional cities were selected.

The Medical Doctor Questionnaire was mailed to eight cities. These cities were selected at random from those receiving Hospital Pharmacist and Drug Wholesaler Questionnaires. Approximately one half of the cities selected also received the Retail Pharmacist Questionnaire. It was done in this manner to check the relationship of the hospital pharmacist and the physician and to reduce any bias which the retail pharmacist might introduce into the physicians' questionnaire.

The questionnaires to all ethical drug purchasing groups were concerned mainly with their opinions of pharmaceutical manufacturers. This included not only the fixed policies of the manufacturers, such as discounts and rebates, but the conduct of their representatives. The secondary objective was to obtain some insight as to the interrelation of the various groups questioned. The pharmaceutical manufacturer is dependent upon the cooperation of all trade groups for the welfare and movement of his products to the ultimate consumer, the patient. If the manufacturer sells directly to retail pharmacists, he cannot ignore the problems of the drug wholesaler who will be servicing the small drug retailers unable to purchase directly. Nor can the manufacturer ignore the relationship between the pharmacists and the physicians operating

in the same area. And what steps must a manufacturer take to discourage his direct accounts from reselling drugs to small drug retailers in competition with the drug wholesaler? Is the manufacturer to accept the immediate gain in sales volume and forego the good will and coverage offered by the drug wholesaler over a longer period of time?

The manufacturers do not sell according to a set of rules. Each and every situation calls for a new marketing practice. Marketing practices change with the product mix, the newness or competitiveness of each and every product, the size of the manufacturer, the method of distribution, and many other factors. The questionnaires were written with this complex situation in mind. The thesis is intended to be a base upon which select areas of marketing conduct can be studied and defined in detail.

II. QUESTIONNAIRES

In order to obtain a wide range of opinions, because factual information concerning certain practices is reluctantly discussed, questionnaires were sent to four different groups of ethical drug products purchasers. The classified section of the telephone book was used for the random selection of names. The cities were selected from an area within 150 miles of Boston. So as not to influence the answers, because of the proximity of the questioning source, no questionnaires were sent in to Boston and the immediate vicinity.

The questionnaire was both general and specific. An attempt was made to keep related questions separated from other questions of an unlike nature. It is believed, without any substantiating evidence, that

this was helpful in getting unbiased answers in most cases. In other cases, it was apparent that the person answering had noted the connection and had not given an unequivocal answer.

Some of the questions were framed to allow "yes" and "no" answers. Other questions required essay answers, though a "yes" or "no" was acceptable.

Retail Pharmacist

The following table indicates the cities receiving the questionnaires and the returns. As can be seen, the average return was 24.5 per cent of the 245 questionnaires mailed to 13 cities. The greatest return was 50 per cent of the 10 questionnaires mailed to Lowell, Massachusetts. The lowest return was three questionnaires out of 21 mailed to Fitchburg, Massachusetts, or 14.3 per cent. There seems to be no indication as to a pattern of returns. The only conclusions that can be drawn from the answers given in the questionnaires is that the pharmacists returning the questionnaires were very much interested in the problems surveyed.

The questions asked dealt mainly with buying habits and selling practices of prescription drugstores. An attempt was made to obtain opinions as to selling practice differences between large and small national pharmaceutical concerns and to relate these differences to those employed by small local manufacturers. The pharmacists were also questioned about sales methods and distribution channels preferred by them.

Since the retail drug trade is strongly opposed to the numerous duplications that are being placed on the market daily, an opinion was requested of how the pharmacist deals with this stocking problem and

the recourse they have in returning goods which are not sold.

Other problems surveyed were those of sample buying and services offered the physicians.

As previously stated, to obtain as much cooperation as possible, assurance was given in the letter discussing the questionnaire that no attempt would be made to identify the respondent.

TABLE I.

DISTRIBUTION AND RETURN OF RETAIL PHARMACIST QUESTIONNAIRES BY CITIES

Cities	Population	Mailed	Per Cent	Returned	Per Cent	Per Cent Received of Mailed
1. Fitchburg, Mass.	42,000	21	8.6	3	5.0	14.3
2. Holyoke, Mass.	54,000	7	2.9	2	3.4	28.6
3. Lowell, Mass.	102,000	10	4.1	5	8.3	50.0
4. New Bedford, Mass.	111,000	20	8.2	4	6.7	20.0
5. Northampton, Mass.	25,000	19	7.7	6	10.0	31.6
6. Pittsfield, Mass.	50,000	2	0.8	0	0.0	0.0
7. Springfield, Mass.	150,000	20	8...	7	11.6	35.0
8. Concord, N. H.	28,000	20	8.2	7	11.6	35.0
9. Manchester, N. H.	78,000	19	7.7	5	8.3	26.2
10. Troy, N. Y.	71,000	20	8.2	4	6.7	20.0
11. Providence, R. I.	254,000	35	14.2	6	10.0	17.2
12. Hartford, Conn.	167,000	33	13.5	8	13.4	24.2
13. Portland, Maine	74,000	19	7.7	3	5.0	15.8
Totals*		245	100.0	60	100.0	

*Total returned of total mailed: 24.5 per cent.

Hospital Pharmacist

Using the classified section of the telephone book, at least two hospitals were selected to receive questionnaires in the same cities as covered by the pharmacist questionnaires. It became apparent that the sampling was low as soon as the questionnaires started to return, since some of the hospitals selected did not employ pharmacists.

Nevertheless, out of 43 questionnaires mailed, 15 questionnaires were returned, or 35.0 per cent. The returns were very spotty. All four hospitals mailed to in Albany returned their questionnaires. Sixteen cities received questionnaires, but the fifteen questionnaires returned came from eight of those cities. Table II, which follows, indicates the distribution of mailing and returns.

Some difficulty has been experienced in the past to obtain brand name specifications in hospital pharmacies. Questions were directed to this end. Since hospitals buy in large quantities, they have become the focal point for manufacturers, large and small, selling on a price basis. This was also investigated.

TABLE II

DISTRIBUTION AND RETURN OF HOSPITAL PHARMACIST QUESTIONNAIRE BY CITIES

Cities	Population	Mailed	Per Cent	Returned	Per Cent	Per Cent Received of Mailed
1. Fitchburg, Mass.	42,000	3	7.0	0	0.0	0.0
2. Holyoke, Mass.	54,000	3	7.0	0	0.0	0.0
3. Lawrence, Mass.	85,000	2	4.6	1	6.7	50.0
4. Lowell, Mass.	102,000	2	4.6	1	6.7	50.0
5. Lynn, Mass.	99,000	4	9.3	2	13.3	50.0
6. New Bedford, Mass.	111,000	3	7.0	1	6.7	33.3
7. Northampton, Mass.	25,000	2	4.6	1	6.7	50.0
8. Springfield, Mass.	150,000	5	11.7	0	0.0	0.0
9. Albany, N.Y.	131,000	4	9.3	4	26.6	100.0
10. Pawtucket, R.I.	76,000	3	7.0	0	0.0	0.0
11. Providence, R.I.	254,000	3	7.0	0	0.0	0.0
12. Portland, Maine	74,000	3	7.0	2	13.3	66.6
13. Hartford, Conn.	167,000	4	9.3	3	20.0	75.0
14. Manchester, N.H.	78,000	2	4.6	0	0.0	0.0
Totals*		43	100.0	15	100.0	

*Total returned of total mailed: 35 per cent.

Drug Wholesalers

Because of the small number of drug wholesalers and the fact one establishment may serve many cities, it was necessary to send questionnaires over a wider area than the one selected for the other questionnaires. The results may be classified as poor. Out of 50 questionnaires mailed there were only eight returned, or 16.0 per cent. Some of these were not entirely applicable, but since the results are correlated, this should not be disconcerting. The majority of drug wholesalers in Massachusetts did not answer. All but one of the answers came from surrounding states. Either drug wholesaling problems are acute, or the people answering the questionnaires are very interested in what this thesis is attempting to accomplish, because in three instances the answers were in detail and accompanied by a letter offering further assistance. No other group surveyed offered to assist to this extent. The questions were directed mainly toward the services offered by drug wholesalers and their relations with manufacturers and retail druggists.

TABLE III

DISTRIBUTION AND RETURN OF DRUG WHOLESALER QUESTIONNAIRES BY CITIES

Cities	Population	Mailed	Per Cent	Returned	Per Cent	Per Cent Received of Mailed
1. Fitchburg, Mass.	42,000	1	2.0	0	0.0	0.0
2. Holyoke, Mass.	54,000	1	2.0	0	0.0	0.0
3. Lawrence, Mass.	85,000	2	4.0	0	0.0	0.0
4. Lowell, Mass.	102,000	2	4.0	0	0.0	0.0
5. Lynn, Mass.	99,000	2	4.0	0	0.0	0.0
6. New Bedford, Mass.	111,000	1	2.0	0	0.0	0.0
7. Northampton, Mass.	25,000	1	2.0	0	0.0	0.0
8. Springfield, Mass.	150,000	3	6.0	1	12.5	33.3
9. Albany, N. Y.	131,000	2	4.0	0	0.0	0.0
10. Troy, N. Y.	71,000	3	6.0	2	25.0	66.6
11. Hartford, Conn.	167,000	5	10.0	0	0.0	0.0
12. Pawtucket, R. I.	76,000	1	2.0	0	0.0	0.0
13. Providence, R. I.	254,000	2	4.0	1	12.5	50.0
14. Manchester, N. H.	78,000	2	4.0	1	12.5	50.0
15. Portland, Maine	74,000	3	6.0	1	12.5	33.3
16. Miscellaneous*	—	19	38.0	2	25.5	10.5
Totals**		50	100.0	8	100.0	

**Total returned of total mailed: 16.0 per cent.

	Mailed	Returned
*Wilmington, Delaware	1	0
Philadelphia, Penn.	1	1
Waterbury, Conn.	4	1
Poughkeepsie, N. Y.	2	0
Erie, Penn.	3	0
Schenectady, N. Y.	3	0
Bangor, Maine	1	0
Worcester, Mass.	4	0
Totals	19	2

Medical Doctor

There was little hope that physicians would take time to answer the questionnaires. The results were gratifying, as shown by Table VI. Out of 111 questionnaires mailed, 38, or 34.2 per cent, were returned. Most of them were limited to "yes" and "no" answers. However, in some cases the answers were given in great detail. If a future questionnaire of this type should ever be attempted, it might be well to obtain the age of the physicians answering. There is some reason to speculate that the detailed answers were from young physicians just starting to practice, while the "yes" and "no" answers were from older, established physicians. Another possible fault of the questionnaire was the lack of selectivity. It might have been better to poll only the physicians having a general practice. Because of the random sampling, the survey done for this thesis includes a small number of physicians who have specialties which do not require the writing of many prescriptions.

The questions were generally limited to the physicians' relations with manufacturers through advertising and representatives and with retail pharmacists. A check was made to determine the physician's prerogative to use the brand of drugs he desires for his hospital cases.

The physician's office nurse, in many instances, does the actual ordering of drugs and supplies. It was hoped that there would be an indication of the frequency by suggesting to a busy physician that his nurse, if she did the ordering of office supplies, also answer the questionnaire. As there was only one such answer, the results are inconclusive.

TABLE IV

DISTRIBUTION AND RETURN OF PHYSICIAN QUESTIONNAIRES BY CITIES

Cities	Population	Mailed	Per Cent	Returned	Per Cent	Per Cent Received of Mailed
1. Holyoke, Mass.	54,000	9	8.1	3	7.9	33.3
2. Lawrence, Mass.	85,000	16	14.4	4	10.5	25.0
3. Lynn, Mass.	99,000	19	17.2	9	23.6	47.5
4. New Bedford, Mass.	111,000	16	14.4	4	10.5	25.0
5. Albany, N. Y.	131,000	17	15.3	5	13.2	29.4
6. Troy, N. Y.	71,000	18	16.2	5	13.2	27.8
7. Pawtucket, R. I.	76,000	10	9.0	5	13.2	50.0
8. Portland, Maine	74,000	6	5.4	3	7.9	50.0
Totals*		111	100.0	38	100.0	

*Total returned of total mailed: 34.2 per cent.

TABLE V

TOTAL OF ALL QUESTIONNAIRES MAILED AND RETURNED

	Mailed	Returned	Per Cent
Retail Pharmacists	245	60	24.5
Hospital Pharmacists	43	15	35.0
Physicians	111	38	34.2
Drug Wholesalers	50	8	16.0
Totals	449	121	27.4 (average)

III. INTERVIEWS

The number of interviews and the people interviewed were governed to a great extent by the convenience of their location and permission to meet with them. They were important in that they provided the necessary perspective to compare the opinions of the drug purchases with the sales policies of the drug sellers.

Questions were directed to those interviewed with the intent of obtaining the reasons underlying their opinions. No set plan was adhered to other than one of a free expression of opinion relating to the marketing of pharmaceuticals. The interview comments were more specific than the answers on the questionnaires. The frankness of some of the comments seems to indicate a source of new information. However, this was proven to be just a matter of degree in the expression of the information.

District Sales Managers

This was the largest group interviewed. It was thought better to interview the manufacturers' district sales managers instead of the representatives. The representatives might be biased by the actions of one particular account. The sales manager would be guided by company policy and the essence of his selling experiences and those of his representatives. One of the most interesting revelations was the fairly unbiased attitude the sales managers took concerning the conflict between drug retailers and representatives. The sales manager is concerned not only with the effective promotion of the products for which he is responsible, but mainly for the friendly and healthy atmosphere

in which to do business, regardless of the immediate benefits.

In all, twelve district sales managers were interviewed. Six of the seven full-line drug concerns were represented among the district sales managers interviewed. The other interviews were with the district sales managers of six small and medium-size specialty drug concerns.

It is difficult to generalize about any attitude characteristics exhibited by the managers. It seemed that the larger the organization the less concerned the manager was with direct retail drugstore accounts. Most sales managers were anxious to discuss detailing the physician because they were convinced the selling effort was most important there. Any number of them stated that the retail drugstores would happily stock any of their products if there were prescriptions calling for them.

One other characteristic that seemed significant was the implication that representatives did not always follow company policy in their dealings with the retail druggists and physicians. Two sales managers of small specialty houses said they spent much of their time correcting and advising their representatives as to proper sales methods.

A revelation was the insistence by a number of leading full-line sales managers that there was no such thing as duplication. They said that this country of ours had been brought to its present position by competition, pure and simple, and their products were sold on a competitive basis.

Another very widely stated comment was the sales managers' disappointment with the merchandising ability and physician relationship of most retail druggists.

Two other comments always appeared during the interview with a sales manager. Each and every sales manager worked for the "most ethical house" in the business and sold "quality", not price.

Every sales manager is concerned with sample buyers and small local pharmaceutical manufacturers. Whether this is justified, it is difficult to say. Some thought must be given to them as competitive factors in that they are local and appeal to the drug retailer on that basis and friendship.

A few of the sales managers expressed concern over the economic future of the country. They reasoned that if business fell off to any degree, selling would become so competitive as to ruin most of the pharmaceutical industry because of the present overcrowding.

Those concerns dealing mainly with wholesalers are not too well satisfied. They expect more assistance from the wholesalers than is now being given them. One sales manager was extremely bitter over the 5 per cent service charge they paid, for the service he claimed they did not get, just to be on an equal basis with their competitor, who also complained of lack of sales effort on the part of the wholesaler. However, it is becoming apparent that the manufacturers will have to provide better training for wholesalers' salesmen if they want to achieve better distribution in the increasingly competitive market.[1]

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[1] "Drug Firms Urged to Aid in Training," Drug Trade News, Vol. 29, No. 2, p. 2, January 18, 1954.

Company Sales Managers

There were four managers that could be visited readily. They are sales managers for medium and small-size pharmaceutical manufacturers. All of the concerns are family-owned or family-controlled. There was some difficulty in obtaining information from those sales managers, not members of the family.

In general, they were most concerned with the products to be sold and sales policies. They had less regard than district managers for the complaints of the drug accounts to which they sold. Part of the explanation may be associated with the authoritative relations of manufacturers' sales manager to his sales force.

Their problems, in general, were the same as those of the large manufacturers. They were much more sensitive to questions of duplication and price advantages. Every sales manager emphasized the importance of calling on selected physicians. They tried to make every selling effort count. The placing of one bottle on a drugstore shelf was viewed as an important accomplishment, as it is so difficult for them to obtain distribution at the retail level.

Telephone Interviews

Thirteen sales managers of small local manufacturers were contacted by telephone with the hope of obtaining a personal interview. With but one exception, all requests were refused for a personal interview, though the majority of them discussed marketing practices in some detail over the telephone.

Two well-known and well-thought-of local concerns refused any information because of their competitive position. One concern, named as

a seller of duplications, refused to be interviewed for personal reasons. Nine other concerns gave information over the telephone. Eight of them claimed to be doing well financially. The other one said the founder had died and so had the business contact with physicians. In general, the items merchandised were specialties sold through the wholesaler and by mail to rural physicians.

One manufacturer admitted duplicating well-known products at the request of physicians and druggists. The impression gained was that he drew the line at selling duplications, but not at making them upon order.

All of the small manufacturers were centered about an established product or the ability of the owner to sell his products. Most of the owners had the opinion that they did not compete on a price basis since lower prices would not extend their sales materially.

Retail Pharmacists

The personal interviews with ten retail pharmacists checked with the answers given on the questionnaire. The attitudes and statements were similar. However, one significant point was raised. Even though every pharmacist discussed general areas of concern, the degree of concern varied with the location and prosperity of the drugstore. Answers to similar questions varied, depending on whether they were given by an owner-pharmacist or employee-pharmacist. Unfortunately, no check interview was made in any one retail drugstore comparing the answers of employer and employee. The differences were not radically divergent, but enough to be noticeable. There was also a difference between the views of independent retail drugstore pharmacists and chain drugstore pharmacists, as one would expect.

Most retail pharmacists have minor or no contacts with physicians in their area. The expectation is that the manufacturers' representative is the person to contact the physician. A good many of the retail pharmacists feel a representative should spend his time in the physician's office and visit the pharmacy only to check stock.

A certain amount of disagreement is noted in the opinions of retail pharmacists as to whether or not there are too many duplications. The answer is either an unequivocal "yes" or "the price is too high". It would seem that some pharmacists have so few calls for new items that they do not wish to handle them, while others are willing to stock new items in anticipation of receiving prescriptions if it can be done at a reasonable price.

Minimum order quantities also caused quite a few comments. The definite opinion is that they are too high. Many pharmaceutical concerns do not have enough popular products to make the minimum order worth-while. The undesired alternative is to buy from the wholesaler and lose the preferential discount.

Drug Wholesalers

The personal interviews in this segment of the pharmaceutical industry were very limited due to the difficulty of arranging the visits. The information gathered at the three interviews arranged checked well against the published material about drug wholesalers. The National Wholesale Druggist Association is a strong organization which regulates the members as one cohesive body. There was good correlation between the drug wholesalers' questionnaires, drug wholesalers' interviews, and the comments of other members of the pharmaceutical industry concerning

the sales practices of drug wholesalers. All in all, drug wholesaling is well publicized and has developed very good relations with its suppliers, the pharmaceutical manufacturers, and its customers, the retail druggists.

There is a certain amount of competition between full-line and short-line drug wholesalers. The full-line drug wholesaler stocks all of the drug products and for that reason manages to obtain most of the druggists' orders. The short-line, or specialty wholesaler concentrates on popular, fast-turnover items, long-profit items, and as one manager stated, those lines of drugs he can obtain to sell.

All wholesalers conduct their business in an efficient manner. They are willing to stock all new products as long as there is a guarantee that they may be returned for full credit. And they are certain to return any items which are approaching the expiration date.

In some instances, wholesalers will share their discounts with the retail pharmacist. For example, if there is a 20 per cent discount off list price available to the wholesaler, he may gain only 12½ per cent of this by selling the item at 7½ per cent discount off list price to the retail pharmacist.

Where a drug wholesaler is allowed a 40-16 2/3-2 per cent discount off list price and a direct account only 40-2 per cent off list price from a manufacturer, they both gain if the drug wholesaler shares his 16 2/3 per cent discount with the retailer; the wholesaler obtains the retailer's business and the retailer pays less than he does buying directly from the manufacturer.

In some areas, the retail pharmacists have banded together to form

buying syndicates. This is usually true where any one of the retail pharmacists cannot develop enough volume by himself to meet the minimum order requirements. By pooling their purchases, each store can become a direct account of a particular pharmaceutical manufacturer. In this manner, they each then become eligible for the direct account discount and quantity rebate. When the ordered items are delivered, they are redistributed at cost price to the members of the syndicate. The cost price is substantially lower than one of them would have had to pay the wholesaler.

When a pharmaceutical manufacturer allows his direct accounts and drug wholesalers the same discount, some drug distribution will be engaged in by the direct account. This is because nondirect accounts must pay 15 to 20 per cent more to the drug wholesaler than a direct account must pay the manufacturers. A direct account is willing to accept 5 to 10 per cent above his cost when selling these products, as compared to a drug wholesaler's 15 to 20 per cent for the same drug items.

In the Boston area, Schering drugs are being sold by direct accounts at 7½ per cent below the drug wholesalers' prices; Sharp and Dohme products were going at 10 per cent below the drug wholesalers' prices; U. S. Vitamin products were also being discounted.

One complaint by the wholesalers was that they develop the demand (obtain distribution) for new items and when the volume becomes sufficient to meet minimum order requirements, the retail pharmacist becomes a direct account and the wholesaler is left with the single-bottle sales.

Miscellaneous

One physician was interviewed. His comments were directed mainly toward his relations with pharmacists' and manufacturers' representatives. He was of the opinion that they were both essential to the efficient functioning of the medical profession.

One interview was with a third-year medical student. His only contact with the drug profession has been direct mail advertising. It was gathered from his remarks that he was not impressed by the advertising he received.

One educator in a college of pharmacy was interviewed. His remarks substantiated those received from manufacturers' sales managers and pharmacists.

One marketing consultant, specializing in pharmaceuticals, was interviewed. His opinion concerning the basic selling factor was very interesting. He mentioned that the representative sold the product regardless of the advertising or the prestige of the manufacturer.

TABLE VI

SUMMARY OF ALL PERSONAL AND TELEPHONE INTERVIEWS

Class	Personal	Telephone	Total
	Number	Number	
District Sales Managers	11	1	12
Company Sales Managers	4	—	4
Sales Managers of Small Local Manufacturers	1	12	13
Retail Pharmacists	10	—	10
Drug Wholesalers	3	—	3
Physicians	1	—	1
Third-Year Medical Student	1	—	1
Educator	1	—	1
Consultant	1	—	1
Totals	33	13	46

CHAPTER IV

RESULTS OF THE STUDIES

Examples of the letters and questionnaires used in this study are in the appendix.

The following is a statement of the questions, the answers, and a discussion of the answers. Where available, information obtained from periodicals and interviews is included in the discussion of the questions.

I. RETAIL PHARMACIST QUESTIONNAIRE

(1) What discounts off list price do you consider proper?

Discount	Number Listing	Per Cent
40%	37	61.4
40-2%	4	6.7
50%	4	5.0
33-1/3-40%	3	3.3
10%	2	1.7
40-50%	1	1.7
33 1/3-50%	1	1.7
40-15%	1	1.7
33 1/3%	1	1.7
5-15%	1	1.7
2-10%	1	1.7
No Answer	4	6.7
Totals	60	100.0

One reply, considered as a "no" answer, desired no discounts but said all purchases should be from or through a wholesaler.

The great majority of answers were centered about a 40 per cent discount. This was an overwhelming choice, though there were a few suggested above and below the 40 per cent discount mark. The low

discounts of 10 per cent, 5-15 per cent, and 2-10 per cent suggest that these pharmacists are buying most of their drug supplies from the drug wholesaler and are listing the type of discount they usually obtain. Four pharmacists offered the information that two pharmaceutical manufacturers, Schering Corporation[1] and G. D. Searle, are allowing a straight 40 per cent discount to direct accounts. Squibb and Ciba have recently revised their discount schedule and now offer 40 per cent also.[2]

According to the 1952 Lilly Digest,[3] the gross sales average of 1305 drugstores reporting was $96,000. Of this amount, the average store realized a gross margin of $31,900, or 33.2 per cent of the total sales. The average net profit was $5,700, or 5.9 per cent per drugstore reporting.

Note the relation in Table VII between gross sales and number of prescriptions filled. To obtain an average gross sale of $90,000, a drugstore would most likely have to fill 20 to 40 prescriptions a day. Yet in Table VIII, where all the 1305 stores reporting were divided into classes dependent upon gross sales, 615 or 47 per cent of them did less than $75,000 worth of sales in 1952 or, expressed in another way, they filled less than 10 to 20 prescriptions a day.

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1 "Druggist Will Get Full 40% Return on Schering Line," Drug Trade News, Vol. 29, No. 3, p. 2, February 1, 1954.

2 "Squibb, Ciba Give Full 40% Profit in New Schedule," Drug Trade News, Vol. 29, No. 9, p. 23, April 26, 1954.

3 "The Lilly Digest of Retail Drug-Store Income and Expense Statements for 1952," 21st Annual Edition, Eli Lilly and Co., Indianapolis 6, Indiana.

TABLE VII

COMPARISON OF PRESCRIPTION RECEIPTS TO THE GROSS SALES OF 785 DRUGSTORES ACCORDING TO PRESCRIPTIONS FILLED DAILY

	Prescriptions Filled Daily											
	1-5		5-10		10-20		20-40		40-80		80 & up	
	$	%	$	%	$	%	$	%	$	%	$	%
Sales	54,700	100.0	65,000	100.0	72,500	100.0	90,000	100.0	131,400	100.0	203,000	100.0
Cost of Goods Sold	40,300	73.6	45,500	70.0	49,300	68.0	59,700	66.3	84,600	64.4	124,300	61.2
Gross Margin	14,400	26.4	19,500	30.0	23,200	32.0	30,300	33.7	46,800	35.6	78,700	38.8
Prescription Receipts	2,500		6,100		11,200		21,300		40,000		91,800	
Number of Prescriptions Filled	1,163		2,811		5,254		10,366		19,645		42,886	
Average Price Per Prescription	2.17		2.17		2.13		2.05		2.04		2.14	
Percentage of Prescription Receipts to Total Sales		4.6		9.4		15.4		17.4		30.5		45.2

TABLE VIII

COMPARISON OF PROFIT PERFORMANCE REPORTED IN THE LILLY DIGEST FOR 1952
ACCORDING TO GROSS SALES SIZE GROUPING OF 1305 DRUGSTORES

	Gross Sales							
	Under $20,000	$20-30,000	$30-50,000	$50-75,000	$75-100,000	$100-150,000	Over $150,000	Average
Number of Drugstores	14	45	194	363	249	273	168	1,305
	%	%	%	%	%	%	%	%
Operating at a Loss	29	20	18	10	10	10	5	11
Net Profit 2% or Less	7	7	10	13	11	11	14	12
Net Profit 2-4%	21	16	18	23	24	23	29	23
Net Profit 5-9%	0	33	34	35	33	38	32	34
Net Profit over 10%	43	24	20	19	22	18	20	20

Therefore, according to the gross sales-gross margin relationship of Table VII, almost one half of the stores do not reach, on the average, a gross margin of 33.2 per cent or a net margin of 5.9 per cent.

(2) Do most of the pharmaceutical manufacturers you deal with presently offer this discount? (1)

	Number Answering	Per Cent
Yes	30	50.0
No	26	43.5
Divided Answer	4	6.5
Totals	60	100.0

It would seem, according to the above answer, that at least part of the pharmaceutical manufacturers and drug wholesalers are satisfying their customers. According to the information obtained from district sales managers, most pharmaceutical manufacturers offer 40 per cent discounts off list price on direct account minimum order purchases. However, the "Fair Trade" minimum is usually less than the list price, resulting in a decreased discount.

Of the larger pharmaceutical houses, only Ayerst, McKenna, and Harrison offer 33 1/3 per cent off list price. It seems that some manufacturers are unknowingly encouraging the drug retailers to assume they are not obtaining a 40 per cent discount on their purchases.[1] Wyeth, Upjohn, Merck, Ciba, and Schering use the published catalogue price as the retailers' cost price. This, of course, saves time in ordering

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1 "Confusing Catalog Terms Still Trouble Retailers, APMA Told," Drug Trade News, Vol. 29, No. 4, p. 2, February 15, 1954.

since there is no discount to be calculated. The actual comparison is in the stated "Fair Trade" minimum price. Most concerns place it at 10 per cent off catalogue price. Those concerns dealing with only one published catalogue price state their "Fair Trade" minimum price as a "50 per cent markup" of the cost to the retailer.

Let us assume two situations. Two similar products sell to the retailer for $0.60. One company gives it a catalogue price of $1.00 and allows a 40 per cent purchase discount. The other company just lists a price of $0.60. The first company states its "Fair Trade" minimum price policy as 10 per cent off the catalogue price of $1.00, or $0.90. The second concern requests a 50 per cent markup to the same "Fair Trade" minimum price of $0.90, or $0.60 plus $0.30. A shrewd pharmacist will realize the proper way to calculate markup percentage is to consider it as a part of the total price. The 50 per cent markup becomes a commonly offered 33 1/3 per cent.

(3) Do you prefer buying directly or from a drug wholesaler?

	Number Answering	Per Cent
Direct	21	35.0
Wholesaler	31	51.5
Prefer Both	8	13.5
Totals	60	100.0

Comments added:

(a) Less bookkeeping when buying from wholesaler.
(b) Direct is better as to price but purchases from wholesaler more convenient.
(c) Wholesalers' prices almost the same as a direct purchase and means less inventory to carry.

There were three pharmacists that made comments b and c. From the above answers it would seem that if there were a disregard of price

differential, most retail druggists would prefer being serviced by a drug wholesaler.

(4) Do the representatives that call on you provide sufficient information about their products?

	Number Answering	Per Cent
Yes	47	78.5
No	9	15.0
Most	4	6.5
Totals	60	100.0

A correlation was noted on the questionnaire at this point. Those pharmacists purchasing from drug wholesalers felt the representatives calling on them were not providing sufficient product information. Further investigation might disclose whether this is true and if it is, does the representative disregard the pharmacist because of his store size, credit rating, or because of his drug supplier?

Judging from the above answers, manufacturers' representatives are keeping retail pharmacists well-informed about drug products.

(5) As far as you are concerned, what companies have the best-trained representatives?

Pharmaceutical Concerns	Times Listed	Approximate Number of Representatives
Eli Lilly	39	830
Abbott	21	600
Upjohn	21	800
Parke-Davis	15	750
Squibb	14	630
Sharp and Dohme	7	450
Hoffman LaRoche	6	225
Lederle	6	590
Ciba	3	185
Searle	3	225
Schering	3	170
Smith, Kline and French	3	80

Pharmaceutical Concerns	Times Listed	Approximate Number of Representatives
Winthrop-Stearns	2	400
Wyeth	2	610
Ayerst, McKenna and Harrison	1	155
Burroughs Wellcome	1	—
Eastern Drug	1	—
Irwin Neisler	1	—
Merrell	1	—
National Drug	1	—
Pfizer	1	600
Roerig	1	152
U. S. Vitamin	1	—

As many companies as desired could be entered by the pharmacist on the questionnaire. It was hoped in this manner to detect the manufacturers most readily recalled by the pharmacist.

Some of the leading pharmaceutical houses with an adequate number of representatives are not mentioned even once. Two of them are Warner-Chilcott and Merck with 125 and 220 representatives, respectively. Nor is the size of the representative force any guarantee of recognition in all cases. Winthrop-Stearns and Pfizer, with 400 and 600 representatives, respectively, received few mentions.

What makes a pharmacist recall the names of particular manufacturers? Is it the manufacturers' products? Is it the age of the concern? Or is it actually the manufacturers' representatives that make the impression? Eli Lilly, with a sales force not much larger than their competitors', had almost twice the mentions as compared to the next most specified manufacturer. One person interviewed, a medical service representative training consultant, stated that many concerns would not consider hiring Eli Lilly representatives. Does this mean representatives of different concerns serve different functions? Eli Lilly representatives were described as order-takers or stock-checkers. They call often and by

checking the pharmacist's prescription stock, save him the trouble of keeping the inventory. It has also been said that they are not aggressive and more considerate of the pharmacist's problems than representatives of other concerns.

At the March, 1954 meeting of the Pharmaceutical Advertising Club of New York, Mr. W. L. Griffith, Parke-Davis promotion manager, said although most of their medical sales representatives are pharmacy graduates, they are finding that aggressive, sales-minded, liberal arts graduates are preferred in this work to those technically trained, but lacking in sales ability.[1]

At the same meeting, Mr. Gustave Bardfeld, president of the Geriatric Pharmaceutical Corp. and chairman of the meeting, declared, "I am sorry to say that the majority of detail men in the country today are only sample distributors or goodwill ambassadors."[2]

A marketing consultant for the pharmaceutical industry said during an interview that more often than not, it is the representative that creates the business and not any superiority of the manufacturer's products. He gave as his proof the high turnover of representative personnel. He said the representatives know they will be able to sell any line of pharmaceutical products, so they do not hesitate to change employers.

It would seem, from the answers to the question and comments made

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[1] "Parke-Davis Exec Calls for 'Sales-Minded' Detailers," Drug Trade News, Vol. 29, No. 7, p. 4, March 29, 1954.

[2] Ibid.

during interviews, that the reason for a representative's effectiveness is an elusive characteristic defying description.

(6) Is selling to the physicians still strong in your trading area?

	Number Answering	Per Cent
Yes	32	53.5
No	19	31.5
Somewhat	9	15.0
Totals	60	100.0

Comments added:

"Parke-Davis does a lot of this but won't tell the pharmacist."

It must be remembered that many pharmaceutical manufacturers still maintain direct accounts with physicians for traditional and practical reasons even though the tendency has been, in recent years, to discontinue this type of direct account. Only recently, Roerig announced it would no longer distribute directly to any physician. Mr. T. J. Winn, president, declared,

> "In the future Roerig will sell its products only through ethical pharmaceutical channels. It is our determination to strengthen Roerig's relation with the druggist by distributing only through natural channels and to improve our detailing services to physicians." [1]

Many drug products are for office use, that is, treatment in the physician's office. Many of these office-use items are extremely competitive. If an attempt was made to sell these products to the physicians through drug retailers, there would not be sufficient profit left for the manufacturer. Besides, there is still the prestige and reminder value of products in constant use by the physician in his office.

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[1] "Roerig Dropping Direct MD Sales, Winn Announces," Drug Trade News, Vol. 29, No. 6, p. 31, March 15, 1954.

(7) Do you buy "deals"?

	Number Answering	Per Cent
Yes	37	61.5
No	3	5.0
Sometimes	11	18.5
Very Seldom	6	10.0
No Answer	3	5.0
Totals	60	100.0

A "deal" is a stocking process with an obligation to sell the product because of the investment made. It is also a legal way of allowing a special discount to keep a competitor from encroaching on a market. It may also be used as a test to observe whether a lower price will move a greater volume to the retailer.

(8) Have these "deals" been profitable?

	Number Answering	Per Cent
Yes	31	51.5
Most	8	12.6
Some	11	18.3
No	10	16.6
Totals	60	100.0

This seems to be an area of sales practices which can be expanded if more attention is given to the ultimate disposition of the "deals".

(9) Do you obtain many initial samples of new drugs?

	Number Answering	Per Cent
Many	12	20.0
Some	14	23.4
Very Few	34	56.6
Totals	60	100.0

(Discussion after Question 11.)

(10) Does an initial sample of a new drug help you?

	Number Answering	Per Cent
Yes	53	88.4
Sometimes	3	5.0
No	0	0.0
No Answer	4	6.6
Totals	60	100.0

(Discussion after Question 11.)

(11) How does an initial free sample help you?

Comments	Number Listing Comment	Per Cent
(a) Enables us to fill the first prescription.	10	33.3
(b) Holds a customer until a stock supply is received.	10	16.6
(c) Knowledge of a new product.	10	16.6
(d) Enables us to fill prescription sooner.	7	11.7
(e) Saves money.	4	6.7
(f) Holds my inventory down.	3	5.0
(g) For detailing the physician.	1	1.7
(h) Promotes sales.	1	1.7
(i) No comment.	4	6.7
Totals	60	100.0

As can be seen from the results of Question 9, considerable amounts of initial samples are being given to pharmacists. This may be due to the requests of pharmacists who are friendly with the representatives, or it may be an active sales policy, as practiced by Ames, Riker and Merrell. There is no doubt that the pharmacists consider initial samples very helpful, as shown by the answers to Question 10.

However, the answers to Question 11 should be studied. At least 61.5 per cent of the comments imply that initial samples are desired to take the place of a stock bottle until there is evidence a new product

will move. Add to this the 11.6 per cent answering who openly admit the free initial sample is most useful to save money.

Only 18.4 per cent answering desired the free initial sample in order to become familiar with the product.

(12) Do you offer any special services to the physicians in your trading area?

	Number Answering	Per Cent
Yes	24	40.0
No	36	60.0
Totals	60	100.0

This checks with the survey of the University of Mississippi School of Pharmacy.[1] In the survey, druggists were asked if they had any plan for periodic contact with the physicians in their area. Out of 78 druggists answering, 29 (37.2 per cent) had no contact, 21 (21.9 per cent) to a limited extent, and only 28 (35.9 per cent) were in contact with the local physicians.

(13) Would you care to list these services?

Comments (Some pharmacists offered more than one service.)

	Number Listing
(a) Prescription blanks.	7
(b) Delivery and information about drugs.	6
(c) Purchases at a discount.	2
(d) Discount of 25 per cent off list price except fair trade items.	2
(e) Professional literature.	2
(f) Tell physician of new products in store.	1

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[1] Robert E. Wade and John L. Wright, "An Opinion Survey of Mid-South Druggists Relating to Inter-Professional Service," Bulletin No. 4, 1952, University of Mississippi, University, Mississippi.

	Number Listing
(g) Monthly newsletter.	1
(h) Offer products at wholesale prices.	1
(i) Charge only a 15 per cent markup on drugs purchased.	1
(j) Charge account.	1
(k) Gift of 15 steel magazine racks.	1
(l) Gift of 15 magazines for three years.	1
(m) Allow physicians to use refrigerator for his drugs.	1
(n) Stocks prestige items with low turnover for physicians' use.	1

Only 40 per cent of the pharmacists answering offer special services to physicians. It has always been the desire of the pharmacist to have a professional alliance with the physician. In the February, 1954 issue of the Journal of the American Pharmaceutical Association, Robert P. Fischelis, editor, wrote an editorial entitled, "Progress Toward Interprofessional Cooperation."[1] In the same issue, Dr. Hugh C. Muldoon, giving the 1953 Remington Medal Address, stated:

> "The pharmacist's technical knowledge informs and protects the patient and the physician. The physician needs information concerning the new medicines he prescribes, not only factual information but evaluations and comparisons of the 8,000 prescription products that are now available." [2]

Along the same line of reasoning, Robert L. Swain, editor of Drug Trade News, stated in a recent editorial:

> "It is a fact that more and more physicians are depending upon the drugstore for up-to-date and useful information with respect to the newer prescription products. This has resulted somewhat from the lack of time with which most physicians must contend. This lack cuts down the time available for reading and doubtless has some bearing upon other sources of information.

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[1] Robert P. Fischelis, "Progress Toward Interprofessional Cooperation," Journal of the American Pharmaceutical Association, Practical Pharmacy Edition, Vol. 15, No. 2, pp. 91-93, February, 1954.

[2] Hugh C. Muldoon, "The Strengths of Pharmacy," Journal of the American Pharmaceutical Association, Practical Pharmacy Edition, Vol. 15, No. 2, p. 93, February, 1954.

> "But, be the reasons what they may, giving pharmacists the factual data, technical and scientific information will enable them to speak in an informed way with physicians about the therapeutic indications and uses of new products." [1]

In the majority of services offered, two types are predominant: information about drug products, both new and old; and the ability to purchase goods in the store at a discount.

The other services are really gifts to physicians, such as prescription blanks with or without the drugstore address, and magazines and magazine racks for the physicians' waiting rooms.

Since a few of the drugstores offered more than one service, the number of pharmacists actually involved is very small. It certainly seems as if interprofessional relations could be improved without limiting it to preferential discounts and gifts.

(14) Do the samples left with physicians materially affect your business?

	Number Answering	Per Cent
Yes	38	63.5
Some	7	11.5
No	11	18.3
No Answer	4	6.7
Totals	60	100.0

Comments:

Two pharmacists added, "Physicians' samples give the patient the idea they can buy them across the counter without prescription." One pharmacist stated that "samples helped his business to increase."

The question is not clearly worded. As can be seen by the second comment, there may have been a misunderstanding of how samples affect

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[1] Robert L. Swain, "Question-Answer Ads," Drug Trade News, Vol. 29, No. 6, p. 46, March 15, 1954.

their business; good or bad. The assumption is made that most of the pharmacists answered the question as to whether or not physician samples decreased their prescription business. From this viewpoint, it would be understandable why 63.5 per cent answered "yes". After all, every sample given to a patient means that much less prescription business for the pharmacist.

(15) What is your policy for the handling of new items placed on the market by small pharmaceutical manufacturers?

Comments:	Number Answering	Per Cent
(a) Do not stock until we have a call.	29	48.4
(b) I purchase a bottle if sale is guaranteed during a trial period.	5	8.3
(c) Buy the smallest stock package.	4	6.7
(d) If it appears to have merit and is from a reputable house, we stock one.	3	5.0
(e) I will purchase one if manufacturer is detailing physicians in the area.	3	5.0
(f) Will not handle.	3	5.0
(g) On consignment only.	2	3.3
(h) Let the larger store nearby start filling the first few prescriptions.	2	3.3
(i) Promote on same scale as if they were from a large drug house.	1	1.7
(j) Stock if public demand appears.	1	1.7
(k) Place item on new-product shelf. After 30 days it goes into regular stock.	1	1.7
(l) Am able to purchase sufficient amount for first prescription. Purchase stock bottle on second prescription.	1	1.7

Comments	Number Answering	Per Cent
(m) Try to obtain a sample and stock package for first prescription.	1	1.7
No Answer	4	6.7
Totals	60	100.0

It can be seen by the answers given that the great majority of pharmacists are very cautious about the purchase of an item not manufactured by a large, well-known concern. It can now be seen why, in Question 10, 88,4 per cent of the pharmacists were so eager to obtain free samples of a new product. Where the majority will not buy until there is a call for the product, some indication is given. Comments b, d, and e indicate that pharmacists are willing to purchase these new products if the sale is guaranteed and the manufacturer's representative is detailing in the neighborhood.

(16) Have you noticed any difference in the sales methods used by the small manufacturers to get distribution as compared to the large manufacturers?

	Number Answering	Per Cent
Yes	26	43.5
No	27	45.0
No Answer	7	11.5
Totals	60	100.0

Comments

Two pharmacists stated that, "Small outfits sell more products directly to the physician." Another pharmacist stated that, "Small companies spend more time with the pharmacist and appreciate placement of even one product."

From the clear division of opinions, 43.5 per cent "Yes" and 45 per cent "No", it could be assumed that both large and small manufacturers use similar methods. Of course, where the emphasis is placed may be the important consideration.

(17) Would you care to mention a few of the differences? (16)

Comments: (Some pharmacists made more than one.)	Number Listing
(a) Small companies use mail instead of direct contact.	4
(b) Small companies put out more sampling and pressure.	2
(c) Large companies put more effort into their advertising.	2
(d) Small companies are more cooperative.	2
(e) Small companies use a consignment basis.	2
(f) Large companies are more interested in having the physicians' business go through the local drugstore.	1
(g) Small companies are more aggressive.	1
(h) Small companies have more "deals".	1
(i) Price is the only difference.	1
(j) Small companies are not as thorough.	1
(k) Get very little detail information from small companies.	1
(l) Give the physicians very large samples.	1
(m) Small concerns sell more to physicians directly.	1
(n) Small companies have better sampling and lower prices.	1
(o) Small companies hire local men known in the area.	1
(p) Large companies are very rude if not given a large order.	1
(q) Large companies keep druggist informed of new prescription items being released.	1
(r) The caliber of the representative does not induce confidence in the company.	1
Total	25

The main point is that small companies do not generally provide all the services the pharmacist has come to expect and does obtain from large manufacturers.

(18) What sales methods "get your goat"?

Comments: (Some pharmacists made more than one.)	Number Listing
(a) High-pressure.	12
(b) Always pushing big "deals".	4
(c) Selling directly to physicians.	3
(d) Telling a physician what an item costs and what it should sell for, usually 33 1/3 per cent markup.	3
(e) Duplication.	2
(f) Detailing the physician on a new product without first informing the druggist and wholesaler.	2
(g) "Loading" a druggist.	2
(h) Insincerity and too much gab.	2
(i) Extravagant claims and falsehoods.	2
(j) "Give-aways."	1
(k) Price-cutters.	1
(l) Refusal to accept "no".	1
(m) One-cent sale.	1
(n) Guaranteed sale without the guarantee.	1
(o) When I have to call a physician to ask him about the new item he is prescribing.	1
(p) Creating a demand which can be met only by purchasing direct from the manufacturer.	1
(q) A physician prescribing an item made by a very small manufacturer.	1
(r) Consignment setups.	1
(s) Implied threat by representative to stock a new item.	1
(t) A duplication which is promoted as better than the original.	1
(u) Giving the physician very large samples.	1
(v) The Lilly policy of duplications.	1
(w) The Lilly policy of sending items not ordered.	1
(x) Four wholesalers and one Lilly representative making a total of 10 calls a month pushing Lilly items.	1
(y) Advance detailing before merchandise is in wholesalers' possession.	1
(z) High-pressure selling with two salesmen present.	1
Total	49

Again, the answers forestall any type of unbiased analysis. One point raised in previous questions and noted in the comments of this question is the displeasure of pharmacists with selling directly to

physicians. Of course, the pharmacist desires all the business he can obtain. One would suppose that the pharmacist expects the physician not to encroach upon his profession. However, are the items being purchased by the physician for office use or are they dispersed to the patient for home use? It would be interesting to determine what the physician purchases and where the products are used.

(19) What is your policy on duplications?

Comments:	Number Listing	Per Cent
(a) There is no choice.	12	20.0
(b) Purchase if prescription calls for it.	10	16.5
(c) Ask the physician to prescribe the brand I carry.	6	10.0
(d) Stock only the more reputable houses' duplications.	4	6.6
(e) Have no policy.	4	6.6
(f) No need for duplication.	3	5.0
(g) Stock minimum quantities.	3	5.0
(h) Don't care for duplications.	2	3.3
(i) Stock only on guaranteed sales basis.	2	3.3
(j) Stock only fast-moving items.	2	3.3
(k) If I can get item while customer waits, we do, otherwise we send him to another store.	1	1.7
(l) Return to sender, will not handle.	1	1.7
(m) Stock, but return to wholesaler as soon as it is apparent they are not moving.	1	1.7
(n) Let the largest store in the neighborhood start the ball rolling.	1	1.7
No answer.	8	13.3
Totals	60	100.0

It would appear from the answers that duplication will be accepted, unwillingly of course, as long as there is a call for the items. Almost all of the comments indicate that the pharmacist will stock duplications

without excessive complaining. Only 10 per cent of the pharmacists indicated that they attempt to switch physicians to the brand they carry.

(20) How often should a representative call on you?

Comments:	Number Listing	Per Cent
(a) Once a month.	30	50.0
(b) Every two weeks.	13	21.7
(c) Every three weeks.	3	5.0
(d) Every week.	3	5.0
(e) Every two months.	3	5.0
(f) Wholesaler should call once a week.	2	3.3
(g) According to our business activity.	3	5.0
(h) Representative should call on physicians.	1	1.7
No answer.	2	3.3
Totals	60	100.0

At least 90 per cent of the pharmacists desire regularity of calls from representatives. Since the representative is more than just a salesman, this is understandable. The representative informs the pharmacist about new products, price changes, "deals", detailing programs, advertising programs, checks stock, and authorizes goods to be returned. He is a very important factor in assisting a store in running smoothly by dispensing services the pharmacist does not care to or cannot do himself.

(21) Are you of the opinion that certain drugstores get better sales terms than you do?

	Number Answering	Per Cent
Yes	30	50.0
No	26	43.3
No Answer	4	6.7
Totals	60	100.0

(Discussion follows Question 22.)

(22) Would you care to elaborate on Question 21?

Comments:	Number Listing	Per Cent
(a) Quantity buying.	12	20.0
(b) Direct buying on quota.	2	3.3
(c) A few companies have secret discounts.	2	3.3
(d) Chain and department stores with prescription departments.	2	3.3
(e) Don't trust a few companies.	1	1.7
(f) Merck on cortisone.	1	1.7
(g) Salesmen offer special "deals" to certain stores only.	1	1.7
(h) Only one manufacturer will offer various terms to different stores, Squibb.	1	1.7
(i) Chain stores allowed display allowances a small store is not allowed to claim.	1	1.7
(j) Extra discounts for tie-in sales.	1	1.7
(k) Group buying between stores.	1	1.7
(l) Different prices for geographical location.	1	1.7
(m) Get order forms, discounts, and other things for large orders.	1	1.7
(n) Advertising allowance for quantity buying.	1	1.7
No answer.	32	53.1
Totals	60	100.0

Only seven comments (11.6 per cent) carried the inference that certain of these sales terms were discriminatory. Of the pharmacists answering, 18, or 30 per cent, placed quantity buying or similar purchase plans as the means of obtaining a better price.

(23) It is said that the larger companies need higher prices to cover advertising and administrative expenses. Would you say a smaller company selling similar items for lower prices has just as good products quality-wise?

	Number Answering	Per Cent
Yes	37	61.9
Some	6	10.0
No	14	23.1
No Answer	3	5.0
Totals	60	100.0

The majority of pharmacists, 71.9 per cent, are of the opinion that a small company is capable of producing good quality products. This may be due to their familiarity with the Pure Food and Drug Law which regulates such things, or it may be a part of the selling program of the smaller manufacturer to stress quality. It was almost unanimous with the interviewed sales managers to have them refer to their products as being of the highest quality.

(24) Would you care to name a few small companies you consider progressive and "comers" in the field?

Comment: (Pharmacists listed more than one.)	Number Listing
(a) Robins	12
(b) Searle	5
(c) Rorer	4
(d) Pfizer	3
(e) Roerig	3
(f) American Pharmaceutical Co.	2
(g) International Vitamin Corp.	2
(h) Lakeside	2
(i) Massengill	2
(j) National Drug	2
(k) Pitman-Moore	2
(l) Stewart	2
(m) Tailby-Nason	2
(n) Armour Drug Div.	1
(o) Ayerst, McKenna, and Harrison	1
(p) Brewer and Co.	1
(q) Chase	1
(r) Ciba	1
(s) Commerce Drug	1
(t) Davies Rose Co.	1
(u) Eastern Drug Co.	1
(v) Endo Products	1
(w) Harvey of Sevelaga	1
(x) Geigy	1
(y) Ives Cameron Co.	1
(z) Irwin Neisler	1
(aa) McNeil	1
(bb) Merrell	1
(cc) Park Drug Co.	1
(dd) Schenley Laboratories	1
(ee) Schering Corp.	1

	Number Listing
(ff) Sherman Laboratories	1
(gg) Smith, Kline, and French	1
(hh) Strassenburgh	1
(ii) United States Vitamin	1
(jj) Upjohn	1
(kk) White Laboratories	1
(ll) Winthrop-Stearns	1

(25) Do you stock your own "private label" items?

	Number Answering	Per Cent
Yes	19	31.7
Some	16	26.6
No	24	40.0
No Answer	1	1.7
Totals	60	100.0

To compete with commonly-used, branded, bulk drug items, such as laxatives, cough syrups, ointments, a pharmacist will purchase a line of products carrying his name on the label as the distributor. McKesson and Robbins has a well-known line of such products under their name, which they sell to pharmacists. It is interesting to note that 58 per cent of the pharmacists carry their own line. This is a form of duplication which is considered proper by most pharmacists, as it is usually lower priced than advertised brands and still returns an equal or higher profit.

(26) Is it difficult to return goods to some manufacturers?

	Number Answering	Per Cent
Yes	37	61.5
Somewhat	8	13.5
No	13	21.7
No Answer	2	3.3
Totals	60	100.0

Comments: Five pharmacists stated that it was difficult to return drugs purchased from small companies.

The majority of sales managers minimized the duplication problem because their companies had liberal return-goods policies. The pharmacist is able to return goods, usually not more than one or two years after the date of purchase, if authorized by the representative or the district sales manager, or sometimes the home sales office. This means that any product, not a "deal" or final sale, in an unopened package, may be sent back for other merchandise or credit.

Most concerns will not accept return goods if they are shelfworn, have been opened, or if the expiration date has passed.

Most pharmacists are of the opinion that any unsold items, regardless of age or condition, should be returnable for full credit. Sales managers maintain that a better check should be kept on drug inventories by the pharmacists. By doing this, the pharmacist would be advising the manufacturer of poor-selling products and of overstocking of retail stores by the representative.

(27) Drug Trade News stated recently that wholesalers did better than retailers in 1953. Should wholesalers share their discount with retailers?

	Number Answering	Per Cent
Yes	30	50.0
No.	25	41.5
No Answer	5	8.5
Totals	60	100.0

The comments of pharmacists interviewed and the answers to Question 3 indicate a high regard for wholesalers. It seems unlikely that 41.5 per cent of the pharmacists would not want a share of the

wholesaler's profit.[1] The only conclusion might be that the pharmacists are of the opinion the wholesalers deserve this reward for their efforts.

(28) What is your opinion of the year-end rebate on volume of business?

Comments	Number Listing	Per Cent
(a) A good idea.	29	48.1
(b) Poor policy.	6	10.0
(c) Unfair to small stores, yet an incentive to sell more.	4	6.7
(d) Not good. Would rather buy for less.	3	5.0
(e) There should be in order to build large volume.	1	1.7
(f) Rebates should be on every invoice.	1	1.7
(g) Good for institutions.	1	1.7
(h) Lilly plan should be adopted for fairness.	1	1.7
No answer.	14	23.4
Totals	60	100.0

Approximately 57 per cent of the pharmacists questioned are for the year-end rebate. This tends to encourage the merchandising of one brand because of the volume requirements to qualify for the rebate. Some concerns have an attractive increasing rebate percentage scale dependent upon volume growth. The pharmacists in small stores are of the opinion that this type of merchandising is unfair to them.

(29) Do you buy "final sale" items?

	Number Answering	Per Cent
Yes	7	11.7
Sometimes	7	11.7
No	40	66.6
No answer	6	10.0
Totals	60	100.0

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[1] Paul C. Olsen, "Wholesalers' Gains Top Druggists'," Drug Trade News, Vol. 29, No. 3, p. 10, February 1, 1954.

answers are qualified in that an effort is made to obtain the necessary medication. A pharmacist, interviewed in Worcester, said that they often pay to have items unobtainable in Worcester sent by bus from Boston so they can fill a prescription. As he pointed out, a true pharmacist still has some of his predecessor's qualities of being available at all hours to aid the sick. It may be assumed that the time and effort involved in obtaining a certain item cannot be charged to the patient. It may be concluded that most pharmacists are aware of their public duty and attempt to fulfill it.

(31) Have you heard of any sample buying recently?

	Number Answering	Per Cent
Yes	7	11.8
Not Lately	2	3.3
No	46	76.6
No Answer	5	8.3
Totals	60	100.0

This question is a very poorly worded one. Since sample buying may mean the purchase from physicians or the purchase by a retail pharmacist with which to fill prescriptions, there is no way of determining how the question was interpreted. The only conclusion that can be drawn is sample buying is being done, to a limited extent.

(32) How long does it take for a new item to start moving in your trading area?

Comments	Number Listed	Per Cent
(a) One month.	8	13.2
(b) Two months.	7	11.6
(c) Two weeks.	6	10.0
(d) Immediately.	6	10.0
(e) Depends on amount of detailing.	5	8.3

	Number Listed	Per Cent
(f) Varies with products.	4	6.7
(g) Three weeks.	3	5.0
(h) Not long.	3	5.0
(i) One week.	2	3.3
(j) Three months.	2	3.3
(k) Three to six months.	2	3.3
(l) Depends on how good a golfer, fisherman, poker player the detailman is.	2	3.3
(m) One to two years.	1	1.7
No answer	8	13.3
Totals	60	100.0

The above comments would indicate that a new product begins selling in less than two months after its introduction.

(33) Many cities now have very small specialty pharmaceutical manufacturers and/or distributors. These concerns are able to get their products specified by intensive detailing.

(a) Are these concerns, in your opinion, serving a useful function?

	Number Answering	Per Cent
Yes	15	25.0
Sometimes	1	1.7
No	29	48.3
No Answer	15	25.0
Totals	60	100.0

Comment: "Keep larger concerns on their toes."

(b) Are their products better than those of other concerns?

	Number Answering	Per Cent
Yes	0	0.0
At Times	10	16.5
No	35	58.5
No Answer	15	25.0
Totals	60	100.0

(c) Are they more reasonably priced because of the shorter distribution chain?

	Number Answering	Per Cent
Yes	19	31.7
At Times	6	10.0
No	21	35.0
No Answer	14	23.3
Totals	60	100.0

(d) What other methods do they use besides detailing to gain entry into the market competing against large national concerns?

Comments (Some pharmacists had more than one comment.)	Number Listing
(1) Sampling.	5
(2) Get physicians and accounts to invest in it.	5
(3) Friendly with physicians.	4
(4) Inducing drugstores to stock their items.	2
(5) Offer free goods.	2
(6) Offer lower prices.	2
(7) Direct selling to physicians.	2
(8) Give druggist larger margin of profit to sell for them.	2
(9) Mail.	1
(10) Kickbacks.	1
(11) Entertainment.	1
(12) Offer inducements to prescribe.	1
(13) Service and delivery.	1
(14) Sell physicians on a price basis.	1
(15) High-pressure, persistent effort.	1
(16) Indirect rebates to physicians.	1
(17) Consignment and cooperative advertising with "deal" buying.	1

Without much doubt, most pharmacists have little praise for small local pharmaceutical manufacturers. Only 25 per cent of the pharmacists answering the questionnaire thought they were serving a useful function. None of the pharmacists thought they had better products. The main advantage, price, was agreed on by 31.7 per cent of the pharmacists. Some

of the methods by which these small manufacturers manage to establish themselves might not be considered good business practice.

(34) What, in your opinion, is a fair minimum order when buying directly?

Comments	Number Listing	Per Cent
(a) $25.00	28	46.5
(b) $50.00	13	21.7
(c) $35.00	3	5.0
(d) $15.00	2	3.3
(e) $10.00	1	1.7
(f) $20.00	1	1.7
(g) $100.00	1	1.7
(h) Two weeks requirements.	1	1.7
(i) Four to six weeks requirements.	1	1.7
No answer	9	15.0
Totals	60	100.0

The minimum order quantity has consistent correlation about the $25.00 level. The range of $25.00 to $50.00 found 72.2 per cent of the pharmacists in agreement. It definitely seems as if anything below $25.00 and above $50.00 is desired only by a small minority. One interview with a Dorchester pharmacist revealed his disgust with Warner-Chillcott for having established a $100.00 minimum order for direct purchases. He said that Warner-Chilcott did not have enough popular items to place on a $100.00 order without purchasing more than was needed and causing an overstock situation.

(35) How long do you keep an item before considering it dead?

Comments	Number Listing	Per Cent
(a) One year.	26	43.4
(b) Six months.	7	11.7
(c) Two years.	8	13.3
(d) Three to four months.	6	10.0
(e) One to two months.	5	8.3
(f) Indefinitely.	3	5.0
No answer.	5	8.3
Totals	60	100.0

Part of the difficulty expressed by the pharmacists in returning goods for credit may be explained by the above comments. At least 18.3 per cent kept items two years or more before considering them "dead". The question remaining to be answered is whether pharmacists maintain any records to keep track of this, or do they just realize the situation when it's too late to recover their investment?

(36) What firms, in your opinion, are best in the entire field? Name three large and three small firms.

Large Firms	Number of Mentions
(a) Eli Lilly	42
(b) Abbott	27
(c) Upjohn	20
(d) Parke-Davis	18
(e) Squibb	16
(f) Sharpe and Dohme	10
(g) Lederle	3
(h) Merrell	2
(i) Schering	2
(j) Smith, Kline and French	2
(k) Pfizer	1
(l) Searle	1

Small Firms	
(a) Searle	13
(b) Ciba	8
(c) Ayerst, McKenna and Harrison	7
(d) Schering	7
(e) Robins	6
(f) Hoffman LaRoche	4
(g) McNeil	4
(h) Smith, Kline and French	4
(i) Pitman Moore	3
(j) Massengill	2
(k) Roerig	2
(l) Buffington	2
(m) Merrell	2
(n) Burroughs Wellcome	1
(o) Winthrop Stearns	1
(p) Otis Clapp	1
(q) Upjohn	1
(r) International Vitamin Corp.	1

the ability or desire to sell their products.

Additional Comments:

1. Two pharmacists said that duplication is rampant. They had 16 sulfa suspensions differing only in taste and color.
2. New items should be introduced in a small stock size.
3. New items should have an additional 10 per cent discount and a 10 per cent premium when being returned.
4. Too many new products in too short a period of time.

II. SUMMARIZATION OF THE RETAIL PHARMACIST QUESTIONNAIRE

The pertinent discussions follow the individual questions. However, for an overall view, it was thought best to discuss the questionnaire in three parts:

A. Pharmacists' preference of marketing practices.

B. Pharmacists' opinions concerning representatives.

C. General opinions of pharmacists.

A. PHARMACISTS' PREFERENCE OF MARKETING PRACTICES

Without any doubt, most pharmacists (70 per cent) desire a 40 per cent discount off resale price on their purchases directly from the manufacturer. At least 50 per cent of them are now obtaining the 40 per cent discount. This proportion will increase as the remaining manufacturers revise their discounts to 40 per cent.

If the pharmacists were able to obtain similar discounts, they would all buy from local drug wholesalers. Even with the limited discount on products purchased from drug wholesalers, many pharmacists are using this distribution channel for speed, convenience, and because of the no-minimum-order requirements.

The best demonstration of the excellent pharmacist-wholesaler

relationship is the fact that only 50 per cent of the pharmacists expected wholesalers to share their discounts. This is unusual, as most pharmacists desire every discount they can obtain, whether it is a 2 per cent cash discount or a 10 per cent discount for quantity purchases. It might be concluded that many pharmacists are of the opinion that the drug wholesaler is giving them a fair value.

Approximately 80 per cent of the pharmacists buy "deals" at one time or another, and about the same percentage find them profitable. In general, most pharmacists thought "deals" worth-while, but cautioned that many pharmacists bought too great an amount for the store volume. The representative should assume the responsibility of selling the "deal" quantity he believes adequate for the store needs and then check its disposition every time he calls on the pharmacist. Too many pharmacists fail to sell the complete "deal" and then accuse the representative of overstocking them. Eventually, they attempt to return the unsold portion, causing additional resentment when the authorization is refused by the manufacturer.

Most pharmacists are reluctant to stock new products whether they are manufactured by small or large concerns. The items of small concerns are taken on consignment or purchased when the first prescription is brought in to be filled. The new products of large concerns are stocked reluctantly, even though all of the better-known manufacturers have guaranteed sales policies, ranging from a year's time to no time limits, for the products purchased. Yet 61.5 per cent of the pharmacists complained of the difficulty of returning drug products. The responsibility for the conflict of policy and fact must be shared by

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both the pharmacist and manufacturer. The pharmacists have indicated by their answers that a new product will generally move within two months after introduction; yet they also admit keeping a new product a year on the average before considering it "dead".

The best company, in the opinion of pharmacists, has a representative force that has been described as "stock checkers" and "good-will merchants". If this is the means of ingratiating a manufacturer with the pharmacist, then all manufacturers should have their representatives remind the pharmacist, every time they are in a store, to inventory the stock for products which should be returned. No doubt, the manufacturer would have a handling and credit problem, but at least his products in the pharmacies would be moving and producing the profit by which a pharmacist judges the value of a manufacturer to him. It should not be expected that the pharmacists will bear the cost of an item which is not being detailed properly or has not met the therapeutic standards physicians expected of it.

Most pharmacists recognize the value of quantity buying and year-end rebates. Some complaints are made that these two methods discriminate against small stores.

Minimum order quantities were found to be most popular in the $25-50 range. Anything above $50 was definitely unpopular. The pharmacists were either dropping their direct account privileges and buying through a wholesaler, or "switching" the physician to another brand when the $50 minimum was exceeded.

B. PHARMACISTS' OPINIONS OF REPRESENTATIVES

Almost all pharmacists answering the questionnaire and interviewed personally had an excellent opinion of representatives, regardless of whether they came from large concerns or small concerns. Most of the pharmacists received the amount and type of services they desired from the representatives. There were some complaints of superior attitudes and insufficient product information. A common complaint was the use of high-pressure sales methods by representatives. Pharmacists see wholesalers' salemen every seven to ten days, whether they wish to or not. Pharmacists prefer to see manufacturers' representatives only once a month. This gives the wholesaler a selling advantage. All pharmacists agreed that selling methods did not change radically depending on whether it was a representative from a small or large concern. The important factor was the individual, and all manufacturers, regardless of size, have good and poor representatives.

C. GENERAL OPINIONS OF PHARMACISTS

Pharmacists are very resentful about manufacturers selling directly to physicians. Now that physicians do not compound and dispense their own pharmaceuticals, the pharmacist wants to become the sole supplier. When this happens, the physician will require the pharmacist to stop counterprescribing. While the pharmacist resents the physician's ability to purchase drugs directly from the manufacturer, only 40 per cent of them offer the physician any special service. Clannishly, the pharmacists trade among themselves, but while craving a professional standing in the medical field, there is little effort made to seek an alliance with the physicians of their area. Some drugstores that cater to

physicians have developed not only a trade with them but an awareness by the physicians of the pharmacists' problems, such as duplication.

The majority of pharmacists want samples of new products because they are of the opinion that many of the new products are called for only once, or not at all. Where the store is well-managed and willing to stock a new item in anticipation of the prescriptions it hopes to receive, the complaint is mainly the size of the stock bottle and the initial cost. The druggist would appreciate a small new product, introduction size, selling for no more than $2.00, or an additional discount to stock the regular size of the new product.

Generally, most pharmacists are against small local manufacturers, but carry their products because of the demand that has been created by friendship, extensive detailing, or other inducements.

III. HOSPITAL PHARMACIST QUESTIONNAIRE

Because of the limited number of returns and the tremendous variations in amount of drugs purchased in 1953 by the individual hospitals, the answers to the questions were correlated, except where noted.

(1) Please give the approximate amount, in dollars, of drugs purchased in 1953.

Questionnaire Number

1. Not listed
2. $40,000
3. $140,000
4. $23,000
5. $54,000
6. $95,000
7. $8,000
8. $1,200
9. $1,610
10. $77,000
11. $3,152
12. $90,000
13. $32,642
14. $18,000
15. Not listed

Average of 13 listed: $44,892

(2) What percentage of your drugs are purchased directly from the manufacturer?

Questionnaire Number

1. 90%
2. 75%
3. 50%
4. 30%
5. 40%
6. 75%
7. 85%
8. 10%
9. 25%
10. 90%
11. 10%
12. 92%
13. 60%
14. 75%
15. Not listed

Average of 14 listed: 57 per cent.

Except for Eli Lilly, most manufacturers offer hospital pharmacies approximately the same discount rates as they would to a direct account. A direct account, such as a hospital pharmacy, may buy Upjohn products at the same price as a drug wholesaler; while Smith, Kline and French, which does not have direct account distribution, does sell special hospital size packages at special prices through the drug wholesaler. G. D. Searle Co. offers drug wholesalers 40 and 16 2/3 per cent discounts, while hospitals are offered 40 and 15 per cent discounts.

To operate economically, a hospital must purchase from the best price source. This accounts for 57 per cent of the drugs being purchased directly from the manufacturer.

(3) Do you buy many items from your local drug wholesaler?

Questionnaire Number

1. Yes
2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. Yes
8. 90%
9. Yes
10. Only special items
11. Some
12. Some
13. Items not on direct account from smaller manufacturers
14. Yes
15. Some

(4) If you purchase locally, would you give your reasons for doing so?

(Answers not correlated.)	Number Listing
(a) Quicker service.	6
(b) Emergency.	5
(c) Convenient for lesser-used items.	4
(d) Policy to purchase locally where price is comparable.	4
(e) Special items not stocked.	2
(f) Can't buy direct.	1
(g) Can't buy Eli Lilly products any other way.	1
(h) Order late from manufacturer.	1
(i) Lower price than direct.	1
(j) Need for discontinued drugs not available direct.	1
(k) No need for large inventory.	1
(l) Convenience on inexpensive items.	1

Again, another branch of the pharmaceutical industry declares that its dealings with the drug wholesaler is mainly for reasons of quick service and convenience.

(5) Do you see all of the manufacturers' representatives that call on you?

Questionnaire Number

1. Yes
2. Nearly all
3. Yes
4. Yes
5. If they call on the special day set aside for them.
6. Yes
7. Yes
8. Yes
9. Yes, if I'm in.
10. Yes
11. Yes
12. Yes, some very briefly.
13. Practically all, if pharmaceutical house is well-known.
14. Yes
15. Yes

(Discussion follows Question 6.)

(6) If you don't see all of them (5), which manufacturer's representatives do you see?

Questionnaire Number (Only two answering.)

2. Larger and better houses with their own research department.

12. Give preference to larger manufacturing houses because they have research facilities.

(No answer on other questionnaires.)

Hospitals are setting aside certain days for representatives to visit. This applies to both the hospital pharmacists and physicians. Mr. Louis V. Clemte, of Eli Lilly and Co., speaking at the Pharmaceutical Advertising Club of New York on hospital pharmacy, said some hospitals had banned all medical service representatives because of unfortunate experiences with a few of the "huckster" type.[1]

(7) Do representatives leave samples of new products with you?

Questionnaire Number

1. Yes
2. Yes
3. Sometimes
4. Yes
5. Yes
6. Sometimes
7. Yes
8. Some do
9. Yes, those useful to us.
10. Yes
11. Most do.
12. Yes
13. Often, but not always.
14. Yes
15. Not all manufacturers sample new products.

(8) Is this useful to you, and if so, how? (7)

(Answers not correlated.)	Number Listing
(a) Less delay in prescribing a new product.	5
(b) Can note physical appearance.	4
(c) To fill first order.	4
(d) No money tied up.	1
(e) Staff doctor may wish to try new product on a specific case.	2
(f) One-call prescription	1
(g) Enable department personnel to become familiar with the identity of the product.	1
(h) Use for a call, otherwise send to foreign mission.	1

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[1] "Parke-Davis Exec Calls for Sales-Minded Detailers," Drug Trade News, Vol. 29, No. 7, p. 4, March 29, 1954.

The hospital pharmacists are interested mainly in the convenience of having the product available for the first call. There is more consideration given by hospital pharmacists than retail pharmacists in knowing the physical appearance of the product.

(9) Should you be given reprints of medical articles pertaining to new products?

Questionnaire Number

1. Yes
2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. Yes
8. Yes
9. Yes
10. Yes
11. Yes, for my files.
12. Yes, I keep a literature file.
13. Yes, to pass them on to clinical instructors.
14. Yes
15. Yes

The unanimity of the answers reflects the close association of a hospital pharmacist with the medical field and the desire to be well-informed, so as to be of service to the physicians in the hospital.

(10) Do you buy "deals" (special offers)?

Questionnaire Number

1. Yes
2. Sometimes
3. Yes
4. Yes, legitimate deals.
5. Yes
6. Yes
7. Yes
8. No
9. Not usually
10. Yes
11. Yes
12. No, we buy on bids.
13. Only if a good turnover item and will not cover over a three-month demand.
14. No
15. No

The popularity of "deals" with hospital pharmacists is related to the policy of operating as economically as possible. The "deal" offers the reduced price per unit which the pharmacists are eager to obtain.

(11) Do the representatives of small manufacturers pressure you more to specify their brand as compared to the representatives of large manufacturers?

Questionnaire Number

1. No
2. No
3. No
4. No
5. Some
6. No
7. Yes
8. Some, with no results
9. No
10. Yes
11. Not very
12. No, the pressure is equal from both.
13. No, pressure is least effective salesmanship.
14. No
15. Yes

Again, as on the retail pharmacist questionnaire, there is little difference noted between the selling efforts of representatives of small and large concerns.

(12) Do you have very small local manufacturers call on you?

Questionnaire Number

1. No answer
2. No
3. No
4. Very few
5. Some
6. Yes
7. No
8. Yes
9. No
10. No
11. Yes
12. Yes, a few
13. Yes, more so lately. One making inroads into our state. I do not see them if I can help it.
14. No
15. No

(13) Are their (12) prices better than nationally distributed items?

Questionnaire Number (No answers on other questionnaires.)

2. No
3. Depends on size of hospital, quality, and quantity purchased.
4. Somewhat
5. In some cases.
6. Yes, but these are duplicate products of large manufacturers.
7. No
8. Not very often
11. No
12. Not in my experience
13. I never show interest in price, as direct account is opened by main office.

(14) Are most representatives eager to leave large amounts of samples with you for use by the hospital physician?

Questionnaire Number

1. No
2. Only "slow-moving" items.
3. Not eager.
4. Yes, too eager.
5. No
6. No, first a clinical trial supply.
7. No, they call at the physician's office.
8. No
9. —
10. No, samples are left with the physician.
11. No
12. No, they detail the physicians in the hospital.
13. Have no resident physicians, so all samples are for pharmacist to use.
14. Yes
15. Some representatives.

Some pharmaceutical manufacturers have created the demand for their products by leaving a large number of samples in the hospital pharmacies for distribution to outpatients or outgoing patients. One of these products is a well-known cough syrup, and the other is a vitamin drop preparation for babies.

(15) Do some of the hospital physicians give their drug samples to the pharmacy?

Questionnaire Number

1. No
2. A very few
3. Yes
4. Yes, we accept those we can use.
5. No
6. Yes
7. No
8. Not in this hospital.
9. No answer
10. Yes, we send them to Missions.
11. Yes
12. A few
13. Yes, knowing we want them for foreign missions.
14. Yes
15. Yes

(16) Do most hospital physicians have a preference for a certain brand when there is more than one available of that item?

Questionnaire Number

1. Yes
2. No, if stocked item is council accepted.
3. Many times
4. Leave decision to hospital pharmacy.
5. No
6. Yes
7. Yes
8. Yes
9. ..
10. No
11. Yes
12. Yes
13. Yes, but our forthcoming formulary will set a curb on this.
14. No
15. No

Eight of the fourteen pharmacists answering said that doctors did have a brand preference. This is understandable as most physicians have a brand preference for their office and home-call patients and, since some of the same people become his hospital patients, his brand loyalty is made known to the hospital pharmacy.

(17) Who actually selects the brand to be stocked by the hospital pharmacy?

Questionnaire Number

1. Drug Committee
2. Pharmacist in charge
3. Pharmacy Department and Therapeutic Committee
4. Pharmacist in charge
5. Pharmacist and pharmaceutical Committee
6. Pharmacists
7. Selected according to price and quality
8. Pharmacist
9. —
10. Pharmacy Staff and Therapeutic Committee
11. Physician's Board
12. The purchasing agent.
13. Pharmacist now, Therapeutic Committee in near future.
14. Pharmacist
15. Formulary Committee

In five out of fourteen hospitals the pharmacist makes the choice as to drug brand stocked. It would appear that the pharmacist could be influenced, but if he is, it is mainly on a price basis because of budget considerations. In Boston, many of the hospitals have the drugs purchased by a central buying office. This is not critical when it involves drug specialties, but it is when competitive drugs are purchased, almost always on price alone.

(18) Briefly, how does a physician induce the hospital pharmacy to stock an item he desires?

(Answers not correlated.)	Number Listing
(a) Personal promise to use amount ordered.	5
(b) Request through pharmaceutical committee.	3
(c) If item restricted by Pharmacy Department, cleared through Therapeutic Committee.	2
(d) For private patients' use we order smallest stock size. Patient is given remainder upon discharge.	1
(e) Many items are not restricted.	1
(f) He doesn't in this hospital.	1
(g) Demands a drug.	1
(h) If physician has a few cases on drug.	1
(i) When item will not create duplication.	1
Total	15

As can be seen, the majority of pharmacists take great care not to become involved with partly filled bottles of drugs for which they do not have regular calls.

(19) Is it true that representatives tend to monopolize the hospital pharmacist's time because of the size of the order he might obtain?

Questionnaire Number

1. No
2. Possibly, I'm no Lana Turner.

3. No, this can be detrimental to the representative.
4. No answer
5. No
6. No
7. No, and if he does, it's the fault of the pharmacist.
8. Yes, with no results.
9. No answer
10. No
11. Occasionally
12. No, as the final order is written by the purchasing department.
13. No, I do not find this true.
14. Yes
15. No

Ten out of fifteen pharmacists are of the opinion that representatives are able to judge the proper amount of time to spend in detailing.

(20) How often should a representative call on you?

(Answers not correlated.)	Number Listing
(a) Twice monthly.	4
(b) Once a month.	4
(c) Large companies weekly, small companies monthly.	2
(d) Depends on size of house and number of new items.	1
(e) Depends on size and business we do with them.	1
(f) Large companies two weeks, small companies every two months.	1
(g) Every three months.	1

The frequency of representative calls desired by the hospital pharmacist is greater than that desired by the retail pharmacist. The average hospital pharmacist desires biweekly calls, whereas the average pharmacist desires monthly calls.

(21) What manufacturers have the best-trained representatives?

(Answers not correlated)	Number checked
Large concerns	11
Small concerns	0

In addition to above:	Times Mentioned
Large Concerns Listed	
Eli Lilly	3
Parke-Davis	2
Abbott	1
Squibb	1
Small Concerns Listed	
Ayerst, McKenna and Harrison	1
Ciba	1
Hoffman LaRoche	1
G. D. Searle	1

The only assumption that might be made for the overwhelming preference for large manufacturers' representatives is the complete line they carry. This would make it easier and less time-consuming for the pharmacist to obtain drug product information and to place his order.

(22) What sales methods "get your goat"?

(Answers not correlated.)	Number Listing
(a) High-pressure.	9
(b) Knocking another firm's products.	3
(c) I know a friend or classmate of yours.	2
(d) Using physician as medium—creating a demand.	2
(e) Those who don't know their products.	1
(f) Lack of appreciation for education of pharmacist.	1
(g) Not adhering to hospital rules.	1
(h) Pushing duplicates.	1
(i) Taking too much time.	1
(j) Representative knows it all.	1
(k) Presentation of product on basis of price instead of quality or therapeutic value.	1

Again, high-pressure selling is the sales method disliked. The retail and hospital pharmacists agree on this point.

(23) Do you manufacture many of your preparations?

Questionnaire Number

1. Yes
2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. No
8. No
9. No
10. Yes
11. Yes
12. Yes
13. Yes
14. Yes
15. Yes

Yes — 12
No — 3
15

(Discussion follows Question 24.)

(24) Care to mention a few (23)?

Tincture of green soap
Tincture of zephiran
Aqueous antiseptic solutions
Mouth wash
Mercurochrome
Iodine tincture
Stoke's mixture
Brown's mixture
U.S.P. and N.F. preparations
Dermatological preparations
Syrups and solutions
Calamine lotion
Milk of magnesia
Elixir of phenobarbital
Elixir of terpin hydrate
Rhubarb and soda
Ointments
Procaine hydrochloride
Sterile lubricant
Bathing lotion
Alcohol rubs
Opium suppositories
Aromatic spirits of ammonium
Spirit of anise and peppermint
Narcotic solutions
Aromatic elixir

All of the manufactured items are of a fairly simple nature both as to ingredients and manufacturing process.

(25) Is "free-goods" a prevalent sales method of all pharmaceutical manufacturers?

Questionnaire Number

1. Yes
2. Not all
3. Depends on item
4. No
5. No
6. Somewhat
7. No
8. No
9. No
10. No
11. Most all
12. Yes, but we prefer an established price per unit.
13. Yes, because of the tendency not to cut prices, but still to compete at lower prices.
14. No
15. No

(Discussion follows Question 26.)

(26) If it is not prevalent (25), do certain manufacturers' representatives attempt to induce sales with that method?

Questionnaire Number

1. Some salesmen do it on their own.
2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. Yes
8. Some
9. No answer
10. No
11. Yes
12. No answer
13. Not an accepted policy by any house I know, but "free goods" in antibiotic field are offered.

Eleven out of thirteen pharmacists answering have had "free-goods" offered them. "Free-goods" reduce the actual price per unit obtained. Where the manufacturer wishes to meet his competition on a particular item or in a particular sales area, either geographically or by type of account, "free-goods" are used. "Free-goods" are not listed on the invoice and therefore do not reduce the listed price of the item. However, without ever publishing a price revision, sales pressure from a competitor can be met until the market becomes stabilized.

(27) Are there any particular services a pharmaceutical manufacturer should provide a hospital pharmacist?

(a) Price lists should have:
    (1) Indications for every product.
    (2) Advantages of product.
    (3) Administration of product.
    (4) Caution.
    (5) Sizes supplied in.
    (6) Dosages of products.
(b) Adequate previous notice on release of a new product or item.
(c) Information about new products should be addressed to pharmacist.
(d) An initial supply of a new product, gratis.
(e) Pharmacists should receive same detail as the physicians.
(f) More information to pharmacist on the side effects of a new drug.
(g) Hospital pharmacist should be detailed before physicians.

(h) Send all drugs through the pharmacy department.
(i) Include incompatibilities in new product information.
(j) Rush through credit memorandums.
(k) A card index for all products with indications and dosages recommended.
(l) Pharmaceutical houses should detail physicians as they do the prescribing.
(m) Periodic, up-to-date catalogues.
(n) Emergency items to be available from representatives.
(o) Professional periodical to be issued regularly.

IV. SUMMARIZATION OF THE HOSPITAL PHARMACIST QUESTIONNAIRE

In addition to the discussion pertinent to the individual questions and answers, the following is an overall presentation of the findings divided into three categories.

A. Pharmacists' preferences of Marketing practices.

B. Pharmacists' opinions concerning representatives.

C. Physicians' ability to obtain drug brand preferred.

A. PHARMACISTS' PREFERENCES OF MARKETING PRACTICES

When five out of fifteen pharmacists reporting state that they select the brand of drug to be carried by the pharmacy, they must be considered very influential. The remaining pharmacists answer to various committees and boards, but without doubt their comments concerning drug brands greatly influence the selection groups.

The majority of pharmacists, 57 per cent, prefer to buy directly from the manufacturer. They also agree that "deals" are worth-while. Both of these comments concern an economical method of purchasing. The drug wholesaler is highly rated, however, for his service and convenience.

The hospital pharmacist, as well as the retail pharmacist, desires free samples of new products, not only for first prescriptions, but for

purposes of identification and instruction. The amount of samples given pharmacies is not very large, as the representatives prefer to leave the samples with the hospital physicians. However, in eight out of fifteen hospitals, physicians turn their samples over to the pharmacy. Two of the pharmacies, in turn, send these samples to foreign missions.

The entire fifteen hospital pharmacists answering stated that they desired reprints of medical articles pertaining to new products. Many retail pharmacists maintain information files for the use of the local physician. It may be assumed that such product information is even more important in a hospital. So is the pharmacist-physician professional relationship, since it concerns scientific subjects almost entirely as compared to the retail pharmacists' primary engrossment in merchandising methods. As a means of informing hospital physicians and pharmacists about new products and selection of particular drug brands, it would be well to provide article reprints consistently.

Out of fifteen pharmacists returning the questionnaire, ten related that "free-goods" had been offered as an inducement to place an order. This does not necessarily mean that the same manufacturer or the same representative was involved in each and every attempt. It does mean that "free-goods" is an important sales method. Two of the sales managers interviewed said that the policy of giving "free-goods" was that of top management. Four other sales managers insisted that the samples given to representatives for physicians were used as a means of gaining hospital pharmacy orders to fulfill their quotas. Top management was unaware of this procedure.

"Free-goods" is not the safe and certain method of making sales.

Two interesting stores about "free-goods", both true, were related during the interviews with sales managers. One concerned the liberal use of "free-goods" to induce the pharmacists to stock a duplicate hormone product. Because of the amount of "free-goods" given, the price was extremely attractive to the pharmacists, who bought liberally from company "JK". The competitor waited until the orders had been filled and delivered and then reduced his price to below the unit price, when calculated with the amount of "free-goods" allowed by company "JK". Company "JK" had guaranteed the price of their product against any reduction 60 days following the placing of the order. To keep the hormones from being returned by the retailers for credit, the price reduction had to be met. The value of the "free-goods" had been forfeited without any gain in competitive position.

The other "free-goods" story concerns the situation, in the Boston area, between a local distributor of antibiotics and a large national manufacturer of antibiotics. The local distributor managed to obtain a large share of the Hospital antibiotic business on the basis of substantially lower price and friendship. The national manufacturer resented losing this business and was concerned with the price situation. Since this was local, the national manufacturer did not wish to announce a price cut, as that would also affect the other areas where there was no such competitive situation. Instead, the representatives were given to understand that they could use as much "free-goods" as necessary to obtain the orders. Since the resistance varied from pharmacy to pharmacy, so did the amount of "free-goods" given. The local distributor

soon became aware of the situation when he could not obtain more orders. He discovered that all pharmacies had not been given the same amount of "free-goods". The distributor emphasized the fact that other pharmacists had been given more "free-goods", proportionately, than the one he was talking to, and named the other pharmacists.

As was noted in the Retail Pharmacist Questionnaire, pharmacists exchange products and information quite freely. When the discrepancy in "free-goods" was verified, the national manufacturer found himself with few pharmacist friends in the Boston area. The final outcome met everyone's approval, because the local distributor raised his price almost to that of the national manufacturer and they now share the available market.

B. PHARMACISTS' OPINIONS CONCERNING REPRESENTATIVES

Again, as with the retail pharmacists, the hospital pharmacists noted no great difference in the caliber or selling methods of small company representatives as compared to those of large companies.

Hospital pharmacists prefer to have representatives call twice monthly, most likely because of the volume of goods purchased. Out of fifteen pharmacists answering, ten were of the opinion that representatives were considerate of the amount of time they took to detail their products.

The main complaints against representatives were their use of high-pressure selling methods and "knocking competitor products". Since hospital pharmacists buy many duplicate products because of price considerations, one would assume they resent being told the purchased item is of

poor quality.

Most hospital pharmacists see all representatives that call on them. However, some hospital managements are starting to restrict representatives to certain visiting days, and others have banned them altogether. Part of this restriction is justified. Many representatives, in their eagerness, detailed their products to interns before obtaining permission from the hospital authorities. They gave interns samples, visited hospital areas restricted to hospital personnel, and otherwise broke rules and regulations governing visitors' conduct.

C. PHYSICIANS' ABILITY TO OBTAIN DRUG BRAND PREFERRED

The one complaint made by sales managers of full-line pharmaceutical concerns about hospital pharmacies is that they often substitute for the drug brand requested by the physician. This same complaint was made by physicians in their questionnaire. Out of fifteen hospital pharmacists answering, eight of them said that physicians have brand preferences. When asked how the physicians obtained the brand they preferred, five out of fifteen pharmacists asked for their personal promise to use the amount ordered. In most of the other answers it was apparent that the physicians had to make a formal request to the group selecting the drugs.

V. DRUG WHOLESALERS QUESTIONNAIRE

The following is a listing of questions and answers and a discussion of the answers according to information gained by interviewing and a perusal of the literature.

Most of the answers to the questions are correlated. The reason for this is the limited returns of questionnaires and the nonconformance of two of the returns to standard drug wholesaling merchandising.

(1) Are the discounts offered you by pharmaceutical manufacturers sufficient, in most cases?

Questionnaire Number

1. Yes (Rack jobber)
2. Not always
3. — (Private label wholesaling)
4. No
5. No
6. Yes, but barely.
7. No
8. Yes, with a few exceptions.

(Discussion follows Question 2.)

(2) What is the range of the discounts you receive?

Questionnaire Number

1. 33 1/3 - 50%
2. 10 - 33 1/3% (average 18%)
3. —
4. 15 - 20%, some 25%
5. 10-25% (average 15 - 16 2/3%)
6. 12 - 20%
7. 15 - 16 2/3%
8. 15 - 2 to 15 - 7 - 2%

Many of the drug wholesalers do not include the extra 5 per cent they obtain from Eli Lilly and Lederle as a service discount. Nor have most of them shown the usual 2 per cent discount for payment within 10 days after the order invoice date.

Questionnaire Number 1 was from a new type of drug wholesaler: one which deals only in proprietaries to place on self-service racks in super markets. Questionnaire Number 3 was returned by a private label

drug wholesaler. Questionnaires 1 and 3 are not considered in the discussions that follow.

Eli Lilly, Lederle, Winthrop-Stearns, Ayerst, McKenna and Harrison, and Pfizer are the better-known concerns extending the most prevalent discount of 16 2/3 per cent to drug wholesalers. Parke-Davis, Abbott, Upjohn, Smith, Kline and French, and Burroughs Wellcome extend a 15 per cent discount to drug wholesalers. Ciba, Schering, and Searle extend a 20 per cent discount to drug wholesalers. A few variations are worthwhile listing. Hoffman-LaRoche offers the wholesaler a 20 per cent discount with the provision that if a retail druggist orders more than $4.00 worth of any Hoffman-LaRoche item at one time, the druggist be given a 5 per cent discount by the wholesaler. Wyeth's regular discount is 16 2/3 per cent, but they also offer a 20 per cent discount on special items. Certain Wyeth accounts receive an additional 5 per cent discount. Sharp and Dohme has three discount rates: 15 per cent, 16 2/3 per cent plus 5 per cent, and 20 per cent, depending on the classification of the drug item. Smith, Kline and French allows a 15 per cent discount on specialty items, but increases it to 15 per cent plus 5 per cent on all other items in their product line to the wholesaler.

The reference to 10 per cent, 12 per cent, 33 1/3 per cent, and 50 per cent discounts does not apply to ethical pharmaceutical drugs. These discounts concern heavily-advertised items which the drug wholesaler must carry as a service to his accounts, or drug proprietaries. It costs McKesson and Robbins approximately 13 per cent of the 15-20 per cent discounts they receive on ethical pharmaceutical drugs to do

business. A small, short-line wholesaler in Dorchester, Massachusetts said that of the 18 per cent average discount he obtained on pharmaceutical drugs, 12 per cent went to business expense.

(3) Do you know of any drug wholesaler who is presently sharing his discounts with his drugstore accounts?

Questionnaire Number

1. Yes
2. Yes
3. Yes
4. Co-op wholesalers and those that have "pets".
5. No
6. Yes
7. Not officially
8. No

(Discussion after Question 4.)

(4) If so, (3), how much?

Questionnaire Number

1. 8-15%
2. Up to 10%
3. 5%
4. 5-10%
5. —
6. 1-5%
7. —
8. —

The majority of those answering are of the opinion that wholesalers share their discounts with their accounts.

Many sundries, sold in quantity by the small Dorchester, Massachusetts wholesaler, are discounted 10 per cent. This allows him to retain 15 per cent of the original 25 per cent discount given him. Where direct accounts and wholesalers may buy at the same or almost the same price, direct accounts become pseudowholesalers. Take, for instance, the Sharp and Dohme situation in Boston. Nondirect accounts receive 40 per cent; 40 plus 5 per cent, 40 plus 7½ per cent, and 40 plus 16 2/3 per cent off list price depending on the class of goods. Drug wholesalers receive 40 plus 15 per cent, 40 plus 16 2/3 per cent, and 40 plus 20 per cent off list price depending on the class of goods. Direct accounts allow

nondirect accounts 40 plus 10 per cent on their Sharp and Dohme 40 plus 16 2/3 per cent class purchases. The drug wholesaler cannot do this because his profit margin would be only 10 per cent of his 40 plus 20 per cent class, or much less than the 12-13 per cent it costs him to do business.

So to keep customers, a drug wholesaler has to share his discounts.

(5) Do you offer daily and special delivery service?

Questionnaire Number

1. Weekly
2. Daily
3. —
4. Daily and special delivery
5. Daily
6. Daily and special delivery
7. Daily and limited special delivery
8. Daily and special service

These are very important services. One Boston area pharmacist said that the jeep service offered was the reason he dealt with a large Boston wholesaler instead of the smaller wholesaler in his immediate vicinity. Jeep-service meant that at any time of the day a needed item would be delivered upon a telephoned request. The local wholesaler offered daily service only. If the demand for an unstocked item occurred after the day's delivery, someone from the drugstore had to go to the wholesaler to obtain it, instead of having the wholesaler deliver it to the store.

The warehouse management of a large drugstore chain operating in the eastern part of the United States recognized the necessity for deliveries other than the regular weekly one. However, to keep store managers from replenishing stock daily instead of keeping an inventory check, the daily delivery is limited to 12 items, or a total of 60 in a week. This cannot be considered jeep-service, but it does serve the same function.

(6) What are your credit terms?

Questionnaire Number

1. Cash every week
2. 1% - 10 days, E.O.M.
3. 2% - 10 days
4. 2% - 10 days, E.O.M.
5. 1% - 10 days, E.O.M.
6. Below $600/month 1%-10 days, E.O.M.
   Above $600/month 2% cash discount
7. 2% - 10 days, E.O.M.
8. 1% - 15 days, E.O.M.

One pharmacist interviewed stated that all wholesalers had been giving 2 per cent cash discounts for payment within 10 days. Recently, the National Wholesale Druggist Association recommended that its members allow only 1 per cent for payment within 10 days. Most of the drug wholesalers still allowing 2%-10 days are independents not belonging to the NDWA. It is not known whether this discount reduction has caused pharmacists to change drug wholesalers.

(7) Are you usually stocked sufficiently ahead to give good service when a new product is detailed in your trading area?

Questionnaire Number

1. Yes
2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. Yes
8. Yes

Sometimes manufacturers do not stock wholesalers in time to meet the start of the detailing program.[1] The pharmacist, cautious about a new product, would not or could not buy from the manufacturer. When a prescription is brought in for the new product, the wholesaler has to provide it, and quickly.

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[1] "Newcomb Claims Poor Distribution Offsets Research," Drug Trade News, Vol. 29, No. 4, p. 30, February 15, 1954.

(8) What is your policy as to the stocking of a new line of pharmaceuticals?

Questionnaire Number

1. Use it in test stores first.
2. If new company, pay on reorder.
3. —
4. Automatic order from big companies. Pay on reorder from new companies.
5. Consignment, then pay on reorder.
6. Automatic order if full refund for returns guaranteed.
7. We stock them all.
8. Unless well-known, we ask for pay on reorder terms. Guaranteed sales of item if company not detailing heavily.

The statements are rather consistent in that wholesalers are willing to handle the new line of products as long as they do not need to invest any money. If they must pay for the new products, a guarantee is required that their purchase price will be refunded if the items are not sold.

Most of the very small manufacturers interviewed found this arrangement suitable. They did not wish to lose any business their detailing had initiated. As a means of getting wide distribution, they were willing to forego immediate payment for the wholesaler stocking operation.

(9) Are there any pharmaceutical manufacturers that are reluctant to authorize goods to be returned?

Questionnaire Number

1. Very few
2. Yes
3. —
4. Yes
5. Not too many
6. Yes
7. Yes, especially if overstocked
8. Very few

(Discussion follows Question 10.)

(10) Care to name them (9)?

Questionnaire Number

1. —
2. —
3. —
4. Squibb, Parke-Davis, G. F. Harvey, Organon, Upjohn, Sharp and Dohme, Wyeth, and smaller houses.
5. Not at this time.
6. Purepac, Abbott, Parke-Davis, Merrell, Sharp and Dohme.
7. Most of them.
8. —

The drug wholesaler is in a very undesirable position when it comes to returning merchandise to the manufacturer. Many retail druggists will insist on returning excess stock or opened containers even though this is contrary to the manufacturer's policy and will not be accepted by him. The wholesaler must accept these goods and assume the loss, because the drug retailer has the advantage of threatening to change his drug supplier. Wholesalers, in turn, try to return these goods in the hope of salvaging some of their investment. The writer was informed by the sales manager of a medium-size pharmaceutical manufacturer located north of Boston that they often receive requests for credit allowances for bottles broken in shipment to the drug wholesaler. Usually, upon investigation, the broken bottles are found not to be of the same batch code as those that were shipped. Manufacturers will often grant the credit to maintain good relations, knowing the request was not initiated by the drug wholesaler.

(11) Have there been any sales practices used recently by pharmaceutical manufacturers that "got-your-goat"?

Questionnaire Number

1. Yes
2. Yes
3. —
4. Yes
5. Some
6. Yes
7. Yes
8. Yes

(Discussion follows Question 12.)

(12) Care to mention them (11)?

(Answers not correlated.)	Times Listed
(a) Selling direct to physicians.	2
(b) Contracts forcing purchase of certain items to get maximum discount.	1
(c) Selling direct to retailers.	1
(d) Asking a wholesaler to push a specialty item; he doesn't create the demand.	1
(e) Selling direct to the retailer on a promotion and then giving it to the wholesaler.	1
(f) Duplication of items.	1
(g) Direct shipment to retail stores with difficult return privileges.	1
(h) Overstocking.	1
(i) Reducing usual discount.	1
(j) Use code numbers we don't know to refuse return of goods.	1

Most of the complaints are self-explanatory. Answer "i", however, may be of interest to the reader if explained further. During the penicillin price war a few years ago, Eli Lilly took orders from retail stores and shipped directly to them. The wholesaler, the usual distribution channel for Eli Lilly products, received 5 per cent on the orders placed by his retail drugstore accounts, instead of the 16 2/3 per cent, 5 per cent, and 2 per cent he would normally have received for handling the transaction.

(13) Have you found the representatives of small pharmaceutical houses to be more aggressive than the representatives of large pharmaceutical manufacturers?

Questionnaire Number

1. No
2. No
3. Yes
4. Yes, and more understanding.
5. No.
6. No, but some are exceptionally good.
7. Yes
8. Yes, in most instances.

(14) Do your representatives cover only the retail stores or do they detail also?

Questionnaire Number

1. Just grocery stores
2. Only retail stores
3. Both
4. Only retail stores
5. Only retail
6. Retail, hospitals, and industrial plants
7. Only retail
8. Only retail and hospitals

(Discussion follows Question 15.)

(15) Approximately what part of the time do they spend detailing?

Questionnaire Number

1. None
2. None
3. 85%
4. None
5. None
6. None
7. None
8. None

The answers indicate that wholesalers are servicing drug retailer needs only. The actual promotion of drug items is dependent upon the work of the manufacturer's representative. However, a change is indicated, as drug wholesalers intend to extend their selling effort.[1, 2]

(16) Are most representatives considerate of your needs as compared to their desire to sell you a large order?

Questionnaire Number

1. Yes
2. Yes
3. Yes
4. Yes
5. About 80%
6. Not particularly
7. Yes
8. The majority

Overstocking the wholesaler would not accomplish anything, because the wholesaler does not sell; he only fills orders.

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[1] "Wholesaler's Role is Selling Through, Not Simply To, Drugstores, FWDA Told," Drug Trade News, Vol. 29, No. 6, p. 1, March 5, 1954.

[2] "Altshul Cites Wholesaler's Responsibility to Help Drugstores Create Extra Sales," Drug Trade News, Vol. 29, No. 8, p. 16, April 12, 1954

(17) Do you feel that year-end rebates policies given by some manufacturers affect your business materially?

Questionnaire Number

1. No
2. Yes, when given to retailers.
3. No
4. Only with Squibb, Abbott, Parke-Davis products.
5. Yes, it helps on the net profit.
6. —
7. Yes
8. Only the manufacturers that sell direct.

This is an ambiguous question. The answers are also ambiguous. It might be of interest to know that Parke-Davis allows a 2 per cent rebate for purchases over $2,000/year and 4 per cent for over $2,600/year. Squibb allows varying rebates based upon the item classification and annual purchases. Lederle has a rebate plan which allows 15 per cent discount on certain items if a minimum dollar volume of them is purchased in a six-month period. Abbott has a rebate plan similar to Lederle's related to class of item and dollar volume purchased yearly.

(18) Is "switching" the physician by the druggist on the increase?

Questionnaire Number

1. Don't know
2. Yes
3. Some areas
4. Varies with locality.
5. Not to my knowledge.
6. No, mostly by the detailman.
7. Don't know.
8. Don't believe so.

(19) Is there "sample buying" going on in your trading area?

Questionnaire Number

1. ?
2. Yes
3. Yes
4. Not to any great extent.
5. Don't know.
6. Yes
7. No doubt some.
8. Not to my knowledge.

From the statements made during the interviews with sales managers and wholesalers, "sample buying" is a one-man operation. For that reason

one may assume that such activities will be limited to certain locations and not known to everyone in the drug field.

(20) Do "deals" materially help you in the long run?

Questionnaire Number

1. Yes
2. No
3. —
4. Not in ethical pharmaceuticals.
5. No
6. No, nor the pharmacist.
7. Yes, provided they are good merchandise.
8. No, better off without them.

(Discussion follows Question 21.)

(21) Should you be supplied with "deals" specially marked so that they can't be returned later for full credit, minus the "free-goods"?

Questionnaire Number

1. No
2. No
3. —
4. This is not necessary.
5. No
6. Regardless, pharmacist insist on threatening shift of purchasing.
7. Of no consequence.
8. Yes

It would seem from the majority of answers that drug wholesalers do not care for "deals" regardless of how they are marked. "Deals" upset the routine of a drug wholesaler. It means either carrying two stocks of the same drug item (one the standard container, the other with the "free-goods" included), or the drug wholesaler attaches the free six with every three dozen ordered. What happens quite often is the three dozen are returned for credit and the free six are retained as stock, at no cost to the pharmacist.

Supposedly, the salesman taking the order must authorize the return of the items for credit. This is done by checking the past orders from the particular retail account. The salesman might not notice the

"deal", or does not check the orders, and allows credit to be issued. Or sometimes the salesman has sold too big a "deal" and, rather than cause difficulty with the account, he accepts the return of the goods.

To mark or code "deals" again means two stocks of the same item. Besides, if returned, they would be difficult to sell to another account because of the marking.

(22) How long do you keep an item before considering it "dead"?

Questionnaire Number

1. 8 weeks
2. 1 year
3. —
4. 1 year
5. 3 years
6. Indefinitely
7. About a year
8. 6 months to a year

The Dorchester, Massachusetts wholesaler uses a six-month period to check the movement of new items. Anything in excess of what might be needed for the next three to four months is returned.

(23) Please name three large manufacturers and three small manufacturers you consider exceptional from a new product development viewpoint.

Large Manufacturers	Times Listed
(a) Eli Lilly	4
(b) Lederle	4
(c) Smith, Kline and French	3
(d) Mead Johnson	1
(e) Hoffman LaRoche	1
(f) Upjohn	1
(g) Roerig	1
(h) Pfizer	1
(i) Merck	1
(j) Parke-Davis	1

Small Manufacturers	
(a) Robins	4
(b) Lakeside	2
(c) Pitman-Moore	2
(d) Geigy	1
(e) Irwin Neisler	1

	Times Listed
(f) McNeil	1
(g) Riker	1
(h) Roerig	1
(i) Rorer	1
(j) Strassenburgh	1

(24) Please do the same as (23) from a sales promotional viewpoint.

Large Manufacturers	Times Listed
(a) Eli Lilly	4
(b) Lederle	3
(c) Smith, Kline and French	3
(d) Pfizer	1
(e) Roerig	1
(f) Upjohn	1

Small Manufacturers	
(a) Geigy	2
(b) Lakeside Laboratories	2
(c) Robins	2
(d) Roerig	1
(e) Riker Laboratories	1
(f) Warner Chilcott	1

(25) What is in your opinion a fair minimum order?

Questionnaire Number

1. —	5. 6-8 turns a year
2. $100.00	6. $50.00
3. —	7. $50.00
4. $60.00	8. $50.00

(26) Are small local pharmaceutical manufacturers prevalent in your trading area?

Questionnaire Number

1. No	5. No
2. No	6. Yes
3. Yes	7. No
4. One or two	8. No

(27) Do these manufacturers (26) have any special service or product to offer?

(Answers not correlated.)	Times Listed
1. No	3
2. Yes	1
3. No. (Secretly owned by physicians.)	1
4. Yes, their product.	1

(28) Are their prices competitive (26)?

(Answers not correlated.)	Number Listed
1. Yes	2
2. No	1
3. No, usually overpriced.	1
4. Usually about same.	1
5. Below competition.	1

(29) Do you have your own "private-label" line of goods?

Questionnaire Number

1. Not now.
2. No
3. Main business.
4. Yes, but not actively promoted.
5. No.
6. Yes, McKesson and Robbins against Purepac.
7. No
8. Not to any large extent. These are sizes we can't buy otherwise.

(30) Do you ever buy "final-sale" items?

Questionnaire Number

1. No
2. No
3. —
4. No, bad business.
5. No
6. No
7. No
8. No

(31) How long does it take for a new item to start moving in your trading area?

Questionnaire Number

1. Depends on advertising.
2. 1 week to 1 year.
3. A few weeks.
4. Varies too much to answer.
5. 2 days to three weeks.
6. When detailing takes hold.
7. Antibiotics a few days. Others a month.
8. Usually very soon.

The above answers check well against those given by the pharmacist. It is difficult to define the exact amount of time involved, but both pharmacist and wholesaler agree it is within a few months after the introduction of the new product.

(32) Is there a buying syndicate organized among certain drugstores in your trading area?

Questionnaire Number

1. Don't know.
2. No
3. Yes
4. Always prevalent.
5. Don't know.
6. Not now, all failed.
7. No doubt some.
8. A small one.

As discussed previously, small retailers band together to take advantage of buying enough to become direct accounts and obtain the larger discount. A guild of 25 large drugstores has been formed in the Boston area. The objectives are to buy in large quantities and to manufacture a few items under the guild name, for sale in the cooperating drugstores.

(33) Is it your opinion that substitution is fairly common on some specialties?

Questionnaire Number

1. —
2. Yes
3. Yes
4. Yes, flagrantly.
5. Yes, at retail level.
6. Yes
7. Believe so.
8. Very little in our territory.

Without much doubt, substitution has become quite prevalent, especially among the very small drugstores. Because of the risk, the proprietor or his family usually handles the substitution, said the Worcester, Massachusetts wholesaler interviewed. Outside help could not be trusted at all times. Specialties are sold through a wholesaler, while substitution products are sold directly to the pharmacist.

(34) Is it your opinion that physicians use the new drug samples given them by representatives?

Questionnaire Number

1. —
2. 50%
3. Yes
4. Varies from most to some.
5. I believe so.
6. Yes, they sell them to sample buyers.
7. 50-50
8. I believe so.

(35) Is it your opinion that some veterinarian products are diverted from their originally intended use because of price considerations?

Questionnaire Number

1. --
2. —
3. No
4. No
5. —
6. —
7. —
8. No

Some veterinarian products are identical with those intended for human use, except for the label. To obtain distribution in rural areas, these products are sold to veterinarians and animal feed stores at prices much below those available to retail drugstores. It was stated by one sales manager that some of the expensive patented antibiotic preparations were being dispensed on prescription.

VI. SUMMARIZATION OF THE DRUG WHOLESALERS QUESTIONNAIRE

The following is an overall presentation of the questionnaire findings divided into two categories:

A. Drug Wholesalers Relations with Pharmaceutical Manufacturers.

B. Drug Wholesalers Relations with Retail Pharmacists.

A. DRUG WHOLESALERS RELATIONS WITH PHARMACEUTICAL MANUFACTURERS

As a very general observation, based upon the limited number of questionnaires returned, drug wholesalers are relatively satisfied with

their position in the pharmaceutical industry.

The drug wholesalers were divided equally in their opinions as to the aggressiveness of representatives from small manufacturers as compared to those from large manufacturers. Regardless of the employer, most representatives were considerate of the drug wholesalers' requirements.

However, when it concerns the stocking of new products, the similarity ends. The large manufacturers may ship their products automatically, but the small manufacturers must be willing to place their new products with the drug wholesaler on a consignment basis. Where it concerned the availability of new products, all wholesalers stated that the manufacturers shipped promptly to meet the demand created by the representatives.

The average discount obtained by the drug wholesaler is in the range of 16 2/3 to 20 per cent off the price to the retail pharmacy. Four of the six drug wholesalers considered were of the opinion that this was an insufficient discount. The same number claimed that they knew of other wholesalers sharing their discounts with pharmacies. The limited number of interviews with drug wholesalers revealed that the large wholesalers who provide many free services to the pharmacies do not share their discounts. Small wholesalers provide fewer services and are better able, because of their minimized operating expenses, to share their discounts. Also, sharing discounts is a method of attracting customers.

Most of the drug wholesalers suggested that the manufacturers' minimum order quantities be in the $50-100 range, which is double the

minimum desired by retail pharmacists.

The drug wholesalers were divided in their evaluation of "deal" quantity merchandise, though the impression was gained from the interviews that they would not be too concerned if "deals" were discontinued.

Very few of the wholesalers were of the opinion anything worthwhile was accomplished by marking "deals" to prevent their return for full credit. It was pointed out that the retail pharmacist could force the "deals" to be taken back by the wholesaler by threatening to take his business elsewhere. One wholesaler claimed good accounting, such as he had, prevented the acceptance of "deal" goods for full credit.

Every wholesaler interviewed had a very efficient method of checking the age and amount of drug products in his possession. Those wholesalers returning the questionnaires seemed to have similar inventory systems. All new and outstanding products are considered dead if very little or no movement is detected in a period of six months to a year. The slow-moving goods are returned so the drug wholesaler might invest in other products.

B. DRUG WHOLESALERS RELATIONS WITH RETAIL PHARMACISTS

Please note that drug wholesalers' discount sharing with retail pharmacists is discussed in the first section of this summary.

Without a doubt, retail pharmacists are well-satisfied with the service offered by drug wholesalers, as indicated by the answers in their questionnaire. It is necessary to compliment the drug wholesalers because they have not varied from their policy of dealing only with retail pharmacies. A few of the wholesalers are calling on hospitals and industrial plants, which are noncompetitive with retail

drugstores.

Almost all of the drug wholesalers are in agreement that substitution is common at the retail pharmacy level. This raises the question of whether there is any bias involved in the statements by the wholesalers, since the original products pass through their premises, while substitutions are usually sold directly to the retail pharmacists.

VII. MEDICAL DOCTOR QUESTIONNAIRE

(1) If you specialize, would you please list it.

	Number Listing	Per Cent
(a) General practice	22	58.0
(b) Internal medicine	4	10.6
(c) Eye, ear, nose, and throat	2	5.3
(d) Psychiatry and neurology	2	5.3
(e) Pediatrics	1	2.6
(f) X-ray and physictherapy	1	2.6
(g) Sclerotherapy	1	2.6
(h) Obstetrics	1	2.6
(i) Anesthesiology	1	2.6
(j) Obstetrics and pediatrics	1	2.6
(k) Hematology	1	2.6
(l) Radiology	1	2.6
Totals	38	100.0

(2) Do you have any direct accounts with pharmaceutical manufacturers?

	Number Listing	Per Cent
Yes	16	42.0
No	22	58.0
Totals	38	100.0

(Discussion follows Question 3.)

(3) If so, (2), approximately what percentage of your professional drug supplies do you buy from them?

	Number Mentioning
(a) 5%	4
(b) 90%	3
(c) 50%	2
(d) 1%	1
(e) 10%	1
(f) 25%	1
(g) 30%	1
(h) 40%	1
(i) 75%	1
(j) 80%	1
Total	16 (42.0 per cent of Question 2.)

(Average per physician: 40.7 per cent.)

This is a worth-while class of direct accounts for the manufacturer to maintain. It is also a rather large percentage (42.0 per cent) of physicians that maintain direct accounts. It is no wonder that retail pharmacists and drug wholesalers place selling to physicians high on their list of undesirable sales practices by the manufacturer.

(4) Approximately what discount does your druggist allow you on supplies you buy from him?

	Number Listing	Per Cent
(a) 20%	7	18.4
(b) 25%	6	15.8
(c) 15%	4	10.5
(d) None	4	10.5
(e) 10%	3	7.9
(f) 40%	2	5.3
(g) At cost	2	5.3
(h) Don't know	2	5.3
(i) 10% above cost	2	5.3
(j) 2%	1	2.6
(k) 33 1/3%	1	2.6
(l) At cost, family owns drugstore	1	2.6
(m) No answer	3	7.9
Totals	38	100.0

Approximately 82 per cent of the physicians answering receive discounts of varying amounts. This does not check with the retail pharmacists' answers that indicated 40 per cent of them gave varying special services to physicians. Either a discount is not considered a special service or the pharmacists did not wish to reveal it. It is surprising that only 5.3 per cent of the physicians bought from the pharmacist at the retail drugstore cost. From the interviews with pharmacists, it was gathered that most physicians expected to obtain their drugs at the pharmacist's cost. Of course, not all pharmacists fulfill the expectation.

(5) Approximately what percentage do you read of your direct mail?

	Number Listing	Per Cent
(a) 50%	5	13.1
(b) 100%	4	10.6
(c) 90%	4	10.6
(d) 25%	4	10.6
(e) 5%	4	10.6
(f) 0%	4	10.6
(g) 20%	3	7.8
(h) 10%	3	7.8
(i) 75%	2	5.3
(j) 30%	1	2.6
(k) 60%	1	2.6
(l) No answer	3	7.8
Totals	38	100.0

Comments: Two physicians added that they did not bother to read about products on the market for some time.

Average of 35 physicians: 41.7 per cent.

Mr. Robert J. Lyon,[1] speaking at a regional meeting of the

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[1] Robert J. Lyon, "New Drugs and the Prescribing Physician," American Medical Association, 535 North Dearborn Street, Chicago 10, Illinois.

American Pharmaceutical Manufacturers Association, stated that a survey of physicians' reading habits indicated 12 per cent read all their direct mail, while 16 per cent read none at all.

The answers to the above question indicate a close correlation to Mr. Lyon's findings.

(6) Do you save the drug samples mailed to you?

	Number Listing	Per Cent
(a) 100%	20	52.7
(b) Some	7	18.5
(c) 50%	5	13.1
(d) For needy patients if supply is sufficient.	2	5.3
(e) None	1	2.6
(f) Full packages	1	2.6
(g) Yes, for private charity institution.	1	2.6
(h) Anything above the size of packets, which go in the trash barrel.	1	2.6
Totals	38	100.0

The indications are that most samples are saved regardless of whether or not they are eventually given to patients.

(7) If you don't save all of them (6), what particular types do you find useful in your practice?

(Some physicians listed more than one.)	Number Listing
(a) Antibiotics	8
(b) Vitamin preparations	8
(c) Sedatives	4
(d) Ointments	3
(e) Antihistamines	2
(f) Tablets for cardiac ailments	2
(g) Estrogens	1
(h) Cortisone	1
(i) Diuretics	1
(j) Analgesics	1
(k) Antidepressants	1

	Number Listing
(l) Anemia preparations	1
(m) Hypertension treatments	1
(n) Suppositories	1
(o) Nausea and vomiting drugs	1
(p) Only new products	1
(q) Drugs for personal or family use	1

The popularity of the commonly used antibiotics, vitamins, and sedatives is quite apparent. It is noteworthy that only one physician is specifically interested in saving new products.

(8) Do you see all the manufacturers' representatives that call on you?

	Number Listing	Per Cent
Yes	22	58.0
Most	10	26.2
All there is time for	5	13.2
No answer	1	2.6
Totals	38	100.0

In the survey done by Mr. Robert J. Lyon[1] for the American Medical Association, the findings indicated that 74 per cent of the physicians questioned saw all representatives, 22 per cent saw only some, and 4 per cent saw none at all.

(9) If not (8), which manufacturers' representatives do you see?

	Number Listing
(a) Eli Lilly	3
(b) Abbott	2
(c) Parke-Davis	2
(d) Ayerst, McKenna and Harrison	1
(e) Merck	1
(f) Robins	1
(g) Squibb	1
(h) Wyeth	1
(i) Those with a new product or a new use for an old drug.	1

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[1] Op. cit.

	Number Listing
(j) Those with products pertaining to my specialty.	1
(k) Depends on man's personality, his line of goods, and pressure of appointments.	1
(l) Only the established houses.	1

The large, established full-line companies have the most influence with the physician according to the above answers. No attempt is made in the questionnaire to determine why physicians will see only certain representatives. Mr. Robert J. Lyon[1] did ask a similar question, and the following is the result:

Representatives selected on basis of:	See Some (22.0 %)
1. Company detail man represents.	11.0
2. Whether or not physician has time.	5.0
3. Has product physician is interested in.	4.0
4. Personality.	4.0
5. Has a new product.	1.0
6. Others	2.0
7. Never sees any detail man.	4.0
Total	22.0%

There is a strong similarity of remarks concerning the basis for seeing certain representatives made by the physicians answering Mr. Lyon's questions and those prepared for this thesis.

(10) Do the representatives that detail a new product leave sufficient samples for a proper trial?

	Number Listing	Per Cent
Yes	20	52.7
Sometimes	8	21.0
No	6	15.8
No answer	4	10.5
Totals	38	100.0

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[1] Op. cit.

A recent survey[1] of Albany, N. Y. physicians disclosed the following concerning the distribution of samples by representatives:

	Per Cent
1. Prefer sample and literature with each detail.	52.0
2. Sample and literature only if requested by physician after detail.	27.0
3. Desire only sample after detail.	7.0
4. Desire only literature after detail.	8.0
5. Do not care for sample or literature after detail.	6.0
Total	100.0

(Further discussion follows Question 11.)

(11) If not (10), how many should they leave?

	Number Listing
(a) Stock bottle.	4
(b) One full course of therapy.	3
(c) Enough for a trial with several cases.	2
(d) One week's supply.	1
(e) Two weeks' supply.	1
(f) No answer.	5
Total	16

At least 52.7 per cent of the physicians are satisfied with the new product sample size. The remainder of those answering, 36.8 per cent, are or have had occasion to be dissatisfied with the sample size. Those dissatisfied wanted either a full bottle or enough for several full courses of therapy.

The policy of most manufacturers is not to give full-size bottles as samples except for the physicians' personal or family use. During

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[1] "Half of Physicians in Survey Ask 5-Minute Curb on Detail," Drug Trade News, Vol. 29, No. 7, p. 2, March 29, 1954.

(14) Should medical article reprints be condensed?

	Number Listing	Per Cent
Yes	24	63.2
No	8	21.0
No answer	6	15.8
Total	38	100.0

Comments: Three physicians added the following thoughts:

1. Reject writers advertising themselves.
2. Condensation may leave out critical material.
3. Wants one similar to "What Patients Read". [1]

(15) Have you found many instances of druggists calling you and asking to have a prescription specification changed because a new product is not available in the distribution channels, as yet?

	Number Listing	Per Cent
Yes	4	10.5
Rarely	12	31.6
No	21	55.3
No answer	1	2.6
Totals	38	100.0

(Discussion follows Question 16.)

(16) If the above happens often, do you:

(a) Stop specifying that new drug?

	Number Listing
Yes	4
If an alternative is available	1
Total	5

(b) Have the representative get a supply in?

Yes	15
It is the representative's concern.	1
	16

[1] "What Patients Read" is a condensation of medical articles appearing in popular magazines, sent to all physicians by Schering Corp., 2 Broad Street, Bloomfield, New Jersey.

(c) Tell the patient beforehand where you know the new product is actually stocked?

	Number Listing
Yes	19
Tell patient beforehand to accept no substitute.	1
Total	20

Note: Some physicians checked more than one alternative.

The pharmacists that had called the four physicians answering Question 15, about not having the new drugs prescribed, might have indicated a desire not to duplicate their stock. The 10 per cent of physicians reporting this request to switch the prescribed drug has a counterpart in the Retail Pharmacist Questionnaire, where 10.5 per cent of the pharmacists answering stated that where a product duplication was involved, they asked the physician to change the prescription to the brand they stocked.

There seems to be a close alliance indicated in Question 16 between the physician and the retail pharmacist. Where a small percentage will stop specifying (part a), the greatest number of physicians know where the drug can be obtained (part c). The remaining physicians will not be diverted from what they believe the patient needs. The physicians expect the representative to locate the new product once they have prescribed it (part b).

In a thesis entitled "Technique of Conducting a One-City Market Survey," Lewis Herbert Di Bona[1] reports that 92.85 per cent, plus or

[1] Lewis Herbert Di Bona, "Technique of Conducting a One-City Market Survey," Bachelor of Science Thesis in Business and Engineering, Dewey Library, Massachusetts Institute of Technology, Cambridge, Mass.

minus 5.52 per cent, of the people questioned in Quincy, Massachusetts were not referred to a druggist by the doctor when being given a prescription. There is no way of determining whether these prescriptions were for new drugs. However, where it may be assumed that physicians do not suggest a drugstore to which their prescriptions should be taken, they do resist attempts at "switching", and make it their business to know where the new drugs are available. Any druggist resisting the physician's prerogative of prescribing the brand of drug he feels is best for the patient may soon find himself being effectively boycotted.

(17) Is it your opinion that druggists should receive free samples of new products at the same time you do?

	Number Listing	Per Cent
(a) Yes	14	36.9
(b) No	14	36.9
(c) No opinion	2	5.3
(d) Druggist should be detailed but doesn't need samples.	1	2.6
(e) Druggist should get literature.	1	2.6
(f) Wholesaler always has a supply.	1	2.6
(g) Just for identification of product.	1	2.6
(h) First package on consignment.	1	2.6
(i) No answer	3	7.9
Totals	38	100.0

The assumption to be drawn from the answers is that physicians do not have a definite opinion as to whether or not pharmacists need free samples of new products.

(18) Has there ever been occasion for you to assist a druggist in filling a prescription for a new product by giving him some of your samples?

	Number Listing	Per Cent
Yes	7	18.4
No	30	79.0
No answer	1	1.6
Totals	38	100.0

(19) Do you ever buy "deals" (free-goods with a large quantity purchase)?

	Number Listing	Per Cent
Yes	5	13.0
Occasionally	4	10.5
No	29	76.5
Totals	38	100.0

(20) Do you find representatives of small manufacturers pressuring you more to specify their products than the representatives of large manufacturers?

	Number Listing	Per Cent
Yes	8	21.0
No	28	73.7
No answer	2	5.3
Totals	38	100.0

(21) Do you have very small local manufacturers calling on you?

	Number Listing	Per Cent
Yes	15	39.5
No	18	47.4
I try to avoid seeing them.	1	2.6
No answer	4	10.5
Totals	38	100.0

(Discussion follows Question 22.)

(22) Have you found their (21) products to have certain advantages over those sold by large manufacturers?.

	Number Listing	Per Cent
Yes	4	10.5
No	18	47.4
Must have good clinical evaluation.	1	2.6
No answer	15	39.5
Totals	38	100.0

The small local manufacturers detailed 47.4 per cent of the physicians answering, but only 10.5 per cent of the physicians thought their products had advantages over those of large manufacturers. This would indicate limited acceptance of their products.

(23) Are their (21) prices better than nationally distributed items?

	Number Listing	Per Cent
Yes	5	13.2
Sometimes	1	2.6
No	11	29.0
No answer	21	55.2
Totals	38	100.0

Comments: Three of the physicians added that they find quality, not price, most important to them.

There seems to be a correlation between the 10.5 per cent of physicians that thought small local manufacturers' products had certain advantages, and the 13.2 per cent of the physicians' opinions that their prices are better.

(24) Please name a few pharmaceutical manufacturers whose representatives are trained to be concerned with and considerate of your problems?

	Times Listed	Per Cent
(a) Eli Lilly	19	15.4
(b) Parke-Davis	15	12.2
(c) Lederle	10	8.1

	Times Listed	Per Cent
(d) Sharp and Dohme	10	8.1
(e) Upjohn	10	8.1
(f) Abbott Laboratories	9	7.3
(g) E. R. Squibb	6	4.9
(h) Hoffman LaRoche	4	3.2
(i) Smith, Kline and French	4	3.2
(j) Wyeth	4	3.2
(k) Mead Johnson	3	2.4
(l) Merck	3	2.4
(m) Merrell	3	2.4
(n) Pfizer	3	2.4
(o) Robins	3	2.4
(p) Roerig	3	2.4
(q) Searle	2	1.6
(r) Schering	2	1.6
(s) Ciba	1	0.8
(t) Boerske and Runfan	1	0.8
(u) Warner-Chilcott	1	0.8
(v) Noyes Co.	1	0.8
(w) U. S. Vitamin Corp.	1	0.8
(x) Alkalol Co.	1	0.8
(y) Ohio Chemical	1	0.8
(z) Sandoz	1	0.8
(aa) Stuart	1	0.8
(bb) National Drug	1	0.8
(cc) G. F. Harvey	1	0.8
(dd) Walker Corp.	1	0.8
(ee) Zemmer	1	0.8
		100.0

Mr. Robert J. Lyon[1] received the following answers to the question, "What company do you think really does the best job of detailing?"

	Physicians Mentioning
1. Eli Lilly	25.0%
2. A	9.0%
3. B	7.0%
4. C	7.0%
5. D	7.0%
6. Miscellaneous	26.0%
7. None, no preference, depends on man.	30.0%
8. Sees no detail man.	4.0%
	100.0%

[1] Op. cit.

The two questions were not worded alike, but the similarity of the results is apparent.

(25) Does the pharmacist in the hospital you serve carry the brands of drugs you prefer?

	Number Listing	Per Cent
Yes	24	63.0
Not necessarily	11	29.1
No	1	2.6
No answer	2	5.3
Totals	38	100.0

Comments added: One physician said he had to make a formal request. Two physicians said they must use drugs found in the pharmacy formulary.

(Discussion follows Question 26.)

(26) Is there much "red tape" to have the new products you prefer stocked by the hospital pharmacist?

	Number Listing	Per Cent
Yes	11	29.0
No	21	55.3
Must pass committee of physicians.	1	2.6
Must pass hospital pharmacy committee.	1	2.6
No answer	4	10.5
Totals	38	100.0

The figures are reversed as Question 25 was reworded into Question 26. Approximately 29.1 per cent of the physicians treating hospital cases are having difficulty obtaining the brands of drugs they prescribe.

(27) Have you heard of any "sample buyers" operating in your vicinity lately?

	Number Listing	Per Cent
Yes	1	2.6
No	36	94.8
No ahswer	1	2.6
Totals	38	100.0

(28) How often do you prefer to have a representative call on you?

	Number Listing	Per Cent
(a) Every three months	8	21.0
(b) Monthly	7	18.4
(c) Every two months	7	18.4
(d) Every six months	5	13.2
(e) Once a year	2	5.3
(f) Only to detail new product	2	5.3
(g) Reasonable intervals	1	2.6
(h) Never	1	2.6
(i) No answer	5	13.2
Totals	38	100.0

The physicians have less desire to see the representatives than the pharmacists and drug wholesalers. The ratio is, roughly, every two weeks for wholesalers and hospital pharmacies, a month for retail pharmacists, and two to three months for physicians.

(29) Is it your opinion that substitution is fairly common on certain specialties?

	Number Listing	Per Cent
Yes	12	31.6
No	20	52.6
Not to my knowledge	2	5.3
No answer	4	10.5
Totals	38	100.0

Comments added: Four physicians stated that many hospitals substitute for the brand prescribed.

The drug industry is very concerned about the prevalence of substitution.[1] Dr. Theodore G. Klumpp expressed the opinion that "It is depriving us of 10, 20, and even as much as 40 per cent of the sales of

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[1] "Drug Industry Draws Up Model Bill to Prevent Substitution," Drug and Chemical Engineering, Vol. 31, No. 41, p. 4199, October 12, 1953.

certain of our products."[1] However, the industry is taking steps to prosecute those who have been proven guilty of substituting for the prescribed product. Massachusetts is willing to move against violators via the power of its Pharmacy Board to suspend or revoke licenses for "deceit, malpractice, gross misconduct."[2]

VIII. SUMMARIZATION OF THE MEDICAL DOCTORS QUESTIONNAIRE

Even though there is considerable discussion following the pertinent questions, it was decided to summarize the findings divided into three categories:

A. Physicians Relations with Manufacturers.

B. Physicians Relations with and Opinions of Representatives and Direct Mail Advertising.

C. Physicians Relations with Retail and Hospital Pharmacies.

A. PHYSICIANS RELATIONS WITH MANUFACTURERS

Both the retail pharmacists and drug wholesalers resented manufacturers selling directly to physicians. When the answers to the Medical Doctor Questionnaire were totaled, they revealed that 42 per cent of the physicians answering maintained direct accounts with manufacturers. The 42 per cent estimated that they purchased, on the average, 40.7 per cent of their drug supplies directly from the manufacturer. It is no wonder the wholesaler and retailer desire that additional amount of sales.

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[1] Theodore G. Klumpp, "E Pluribus Unum," Unpublished Paper Delivered at the Mid-Winter Luncheon of the Drug, Chemical and Allied Trade Section of the New York Board of Trade, Inc., Hotel Commodore, New York, January 26, 1954.

[2] "Abbott Substitution Charges (Nembutal) Resulted in 1-Yr. Probation of 6 Pharmacists by Mass. State Board," FDC Drug Letter, Vol. 3, No. 20, March 22, 1954.

Of the physicians returning the questionnaire, 23.5 per cent revealed that they purchase "deals" at one time or another. Since "deals" are not necessarily sold to direct accounts only, it is apparent that a fairly large segment of the physician population purchases from sources other than pharmacies.

Where the opinions had been fairly evenly divided as to the degree of selling pressure exerted by small and large concern representatives on the other questionnaires, only 21 per cent of the physicians stated that small concern representatives sell harder than the representatives of large concerns. From that statement it might be concluded that representatives of small concerns do not impress the physicians as much as the representatives of large concerns, since it is fairly well established that the representatives' selling proficiency is not related to the size of the concern by whom he is employed. Is the physician impressed by the frequency of calls? Repetition seems to play an important part in selling pharmaceuticals. Wholesalers' salesmen call often and are well received by retail and hospital pharmacies. Eli Lilly representatives call frequently, and the concern leads all surveys as to popularity. Representatives of large concerns call on physicians more often than representatives of small concerns. Personal, repetitive calls may be the best method of obtaining sales recognition.

According to the answers on the questionnaire, most physicians are not too interested in doing business with small local manufacturers. Only 42.1 per cent of the physicians reported small local manufacturers calling on them. The products manufactured by these local manufacturers had no worth-while advantages according to 47.4 per cent of the physicians.

And only 13.2 per cent of the physicians were of the opinion that the local manufacturers offered a better price for duplicated nationally-sold products.

B. PHYSICIANS RELATIONS WITH AND OPINIONS OF REPRESENTATIVES AND DIRECT MAIL ADVERTISING

As is becoming prevalent in hospitals, many physicians are also limiting the number of representatives they will see. This does not seem to be the fault of the representatives, as 89.5 per cent of the physicians were satisfied with their conduct. The difficulty seems to be in the great number of representatives calling on physicians and the lack of product innovations. Many concerns sell duplications of outstanding, widely-used products. Physicians realize this and are beginning to see only those representatives from concerns with research departments. The possibility that the physician will learn about a new or better drug sooner is greatly increased.

Physicians are divided as to whether a representative should call every month, two months, three months, or six months. The frequency of calls can be determined only by the representative. The one physician interviewed said that every physician starting to practice enjoys the sight of a human being, the representative, while waiting for the non-existent patients. As physicians tend to specialize, so do their requirements for drug products. The conclusion to be drawn is that consideration should be given to the physician starting to practice in order to build friendly relations. Specializing physicians should be detailed only if they are potential users of a concern's products.

Once a physician begins prescribing a new product, the chances are he will not be "switched" by a pharmacist who does not have the new product. However, in return for his brand loyalty, the physician will expect the representative to locate a supply and make it available to the pharmacist holding the prescription to be filled.

The majority of physicians answering were satisfied with the sample size given them. The remainder of those answering, 36.8 per cent, were of the opinion the samples given were too small for proper trial. The proper sample size is always open to discussion. Is the sample for identification purposes, as desired by some physicians, or is it actually for a clinical trial? As one company sales manager pointed out, only the representative's experience and knowledge could properly determine the sample size to give each physician.

Most physicians, 71.1 per cent, would like to receive a reprint of the medical article proving the efficacy of the new product being introduced by the representative. Condensation of these medical article reprints would be considered adequate by 63.2 per cent of the physicians being detailed.

Direct mail advertising does not have the same attention-getting influence as that of a representative. On the average, only 41.7 per cent of all direct mail advertising is read by physicians. However, direct mail samples fare better, as almost all of them are saved. The samples most likely to attract the physicians' attention are vitamins, antibiotics, and sedatives.

C. PHYSICIANS RELATIONS WITH RETAIL AND HOSPITAL PHARMACIES

The one apparent interprofessional relation between physicians and pharmacists is the professional courtesy discount, which 82.0 per cent of the physicians returning questionnaires said they obtained to one degree or another. This is the only way that the pharmacist can compete against the direct account prices offered the physician by the manufacturers. Where most physicians will allow "switching" of prescription specifications, to a limited extent, this must not continue for too long. If it does, the physician will make it his duty to tell the patient where the product is stocked in order to fill the prescription.

The physicians were divided as to whether or not pharmacists should receive free samples of new products. However, 18.4 per cent of the physicians have cooperated with pharmacists by giving them their samples when needed.

At least 31.6 per cent of the physicians were aware of considerable substitution for the brand requested on the prescription. Many of them admitted that substitution is quite common in hospitals, yet none of them seemed concerned. The impression gained was that as long as they were prescribing the proper product, it was the manufacturer's responsibility to chastise the pharmacist for using substitute products.

Most hospital pharmacies carry the brand of drugs they desire, according to 63.0 per cent of the physicians. Only 34.2 per cent of the physicians noted that there were difficulties in having their preferred brand of products stocked by the pharmacy.

IX. RESULTS OF INTERVIEWS

District Sales Manager

Company "B"

Location: Middle West

Size: $115-135 million gross sales yearly.

Type: Full line of specialty and competitive pharmaceuticals.

Comments:

The sales manager stated that the main difficulty of retail druggists is their lack of organization and knowledge of good business methods. Local and national pharmaceutical organizations have had the same officers from year to year. The good men are too busy running their pharmacies properly to run for an office.

Recently, there has been an increase in requests from professional organizations to pharmaceutical manufacturers to pay for their luncheons and banquet dinners with the threat of discontinuing purchases if they do not.

The best way to inform a physician about a new product is to tell him. Sampling the product is a secondary method of information.

District Sales Manager

Company "C"

Location: Middle West

Size: $65-75 million gross sales yearly.

Type: Specialty and competitive pharmaceutical with a few proprietaries.

Comments:

This company deals mainly through wholesalers because their direct accounts (21,000) could not carry the full line of products.

The sales manager stated that some pharmacists allow the representatives to order for them. When a representative is changed to another territory, the pharmacists appeal to the new representative to take back the products they claim the former representative overstocked them with.

When a druggist is detected substituting, the sales manager should talk with him about this poor sales practice. If this does not stop the substituting, the physician should be informed of the manner in which his prescriptions are being filled.

District Sales Manager

Company "D"

Location: Middle Atlantic Seaboard

Size: $50-60 million gross sales yearly.

Type: Full line of drugs and pharmaceuticals. A few proprietaries.

Comments:

The sales manager was concerned with duplications placed on the market by larger pharmaceutical concerns. He said they waited until a market was established by a smaller concern and then took over with their duplicate product through large detailing forces and preferential distribution systems.

Company "D" considers "deals" as a good merchandising method. They believe in sampling to physicians, but are selective, as some physicians do not want samples and will not use them.

District Sales Manager

Company "E"

Location: Middle Atlantic Seaboard

Size: $90-100 million gross sales yearly.

Type: Specialty and competitive pharmaceuticals. Also a line of proprietaries.

Comments:

The sales manager stated that Company "E" has great faith in the effectiveness of "deals", quantity discounts, and rebates.

According to the sales manager, there is no such thing as duplication. The burden rests on the pharmacists to select the items they wish to sell. The fault lies with the pharmacist who does not go out of his way to know the physicians of his trading area. The pharmacist is not in a position to induce physicians to prescribe the brand he stocks when duplications become prevalent.

Substitution is the fault of the buyer, not the manufacturer, according to the district sales manager.

District Sales Manager

Company "F"

Location: Middle West

Size: $120-130 million gross sales yearly.

Type: Specialty and competitive pharmaceuticals; some over-the-counter proprietaries.

Comments:

The sales manager stated that Company "F" believes in using yearly gross purchase contracts.

To keep returns to a minimum, their new products are stocked only in key stores. Any stocking of a new product by automatic or unrequested shipment is always on a guaranteed sales basis.

Company "F" redresses any of their goods which are damaged by water or fire, free of charge to the drugstore owner.

The sales manager was of the opinion that samples for the patients' use are out of the question today, due to the great expense of new drugs. Samples are only for taste and appearance examinations.

Many small pharmaceutical manufacturers are doing clinical work to gain prestige with physicians, he commented.

According to the sales manager, any representatives giving "free-goods" are following a company policy. "After all, where can he obtain the samples he needs?" "Free-goods" is a temporary way of obtaining business and does not build confidence in the manufacturer.

Another comment made by the sales manager was that the only way to control "sample buyers" is to limit the amount of samples going to the "sample sellers".

District Sales Manager

Company "G"

Location: Middle Atlantic Seaboard

Size: $70-75 million gross sales yearly.

Type: Specialty and competitive pharmaceuticals with a few over-the-counter proprietaries.

Comments:

The sales manager thought retail price counted most with the pharmacist.

Their policy was that discounts should be according to the competitiveness of a product. Specialties should carry lower discounts since they can be moved only by influencing the physician. For that reason, a representative should spend his time with physicians, where the selling is accomplished, and not with the retail pharmacist, where the drugs are only stocked until needed.

According to the sales manager, "deals" are profitable to the pharmacist only as long as he maintains turnover. When in a drugstore where he has sold a "deal", the representatives should check on its sales so that it does not become forgotten by the pharmacist.

According to the observations of the sales manager, the pharmacist is a very frustrated individual because:

1. He is only a merchant with a diploma and certificate.

2. He always feels his education has been wasted.

Before sampling a physician, it should be known whether he has need for and will use the product, the sales manager added.

It was stated that chain drugstores are featuring the prescription department and gaining business by doing so.

<u>District Sales Manager</u>

Company "I"

Location: Pacific Coast

Size: $15-18 million gross sales yearly.

Type: Specialty pharmaceuticals.

Comments:

The sales manager stated that from 1946 to 1949 the selling was hard, but clean. Since 1949 a sellers' market has become a buyers'

market and with the change selling ethics went out the window.

It was pointed out that most selling competition is on price and "free-goods" from local manufacturers. Sales formerly dependent on quality have given way to friendship and price.

District Sales Manager

Company "L"

Location: Middle Atlantic Seaboard

Size: $20-25 million gross sales yearly.

Type: Specialty pharmaceuticals.

Comments:

The sales manager discussed "free-goods", duplication, sampling, and small local manufacturers. Since the comments were verifications of previous discussions with sales managers, they are not reported here.

District Sales Manager

Company "M"

Location: New York Metropolitan Area

Size: $75-85 million gross sales yearly.

Type: Specialty pharmaceuticals.

Comments:

Company "M" believes in using a rebate plan to obtain the most effective distribution. It was pointed out that rural pharmacies are reluctant to stock products used by veterinarians. In allowing this business to go to feed stores and veterinarians, the pharmacists are losing a growing market.

The sales manager accused New York City druggists of charging the full-bottle price for the first prescription, which consumed only part

of the bottle, because they are afraid of losing money if no other prescriptions are received for the product.

The sales manager added that there are too many pharmaceutical manufacturers for the market size.

District Sales Manager

Company "Q"

Location: New York Metropolitan Area

Size: $25-35 million gross sales yearly.

Type: Specialty pharmaceuticals.

Comments:

Many of "Company Q's" specialties are used by physicians.

Company "Q" guarantees the sale of all of their products.

The sales manager stated that most of the physicians' samples sold are those obtained through the mail. Oftentimes, the physician has no use for the items, so he exchanges them with the druggist for personal use items or sells them to the "sample buyer".

It was the opinion of the sales manager that local manufacturers upset the market with their cut prices.

Any substitution of Company "Q" prescription products is reported to the physician writing the prescription for action against the pharmacist.

District Sales Manager

Company "T"

Location: Middle West

Size: $60-70 million gross sales yearly.

Type: Specialty and competitive pharmaceuticals and over-the-counter proprietaries.

Comments:

This was a telephone interview. The sales manager was exceedingly frank considering there was no way of actually identifying the caller. The sales manager was concerned with the "switching" of name brand proprietaries, for private label proprietaries, by chain drugstores. It was stated that chain drugstores allow their help "Push-Money" if they sell the private label items.

Company "T" does not have any "deals". It believes in allowing the wholesaler a good discount and a substantial rebate in return for an excellent distribution system.

All of Company "T" products are sold on a guaranteed basis and "Fair-Traded".

District Sales Manager

Company "U"

Location: Middle West

Size: $30-35 million gross sales yearly.

Type: Specialty and proprietary pharmaceuticals, especially for the pediatric field.

Comments:

Company "U" sells entirely through drug wholesalers, but the sales manager desires direct accounts with retail stores. It was stated that up until a few years ago all detailing was done to physicians only. Very recently detailing to pharmacists has been started.

Company "U" representatives call on physicians every three to six months. Service items without advertising, such as appointment cards, instructions to mothers, diet cards, and prescription blanks, are offered

physicians by Company "U".

The sales manager claimed that large amounts of samples do not impress physicians; instead, believed that the products are very inexpensive and may be given away freely.

The sales manager told of three evaporated-milk companies going to hospitals and asking for the orders to be divided three ways because if only one received the order, it would be unfair to the other two.

Company Sales Manager

Company "X"

Location: Central Massachusetts

Size: $4-5 million gross sales annually.

Type: Specialty and private-label pharmaceuticals.

Comments:

The manager said that all small manufacturers were changing from direct account to wholesale distribution. This was accomplished by withdrawing the direct account discount. The manager criticized representatives and said that only 20 per cent of them really know their products well enough to assist a physician in his selection of drugs.

According to the manager, it is a duty of small companies to sell to physicians in rural areas because the large companies are not bothering to do so because of insufficient volume. Company "X" holds its representatives responsible for the return of their outdated or overstocked merchandise.

Company Sales Manager

Company "Y"

Location: Central Massachusetts.

Size: $6-8 million gross sales annually.

Type: Specialty pharmaceuticals.

Comments:

The manager was especially optimistic about the effectiveness of their advertising in general and specialty medical journals.

It was pointed out that because of the limited number of physicians that can be seen in one day, it is imperative that they be carefully selected. According to the manager, hospital and medical convention displays by a company are valuable to the representative because he is able to meet physicians other than in their office. It also indicates to the physicians the company's support of professional activities.

All college graduates selected to become representatives of Company "Y" are given a six-month training period at the manufacturing plant, said the manager.

Company Sales Manager

Company "Z"

Location: Boston Area

Size: $3-5 million gross sales annually.

Type: Specialty pharmaceuticals.

Comments:

Company "Z" has recently changed from selling directly to physicians to selling through wholesalers. However, one fourth of the sales force is still contacting direct-account physicians.

Company "Z" always gives a druggist, returning their unsold products, an inexpensive drug product to maintain his good will for future orders.

Company Sales Manager

Company "S"

Location: Boston Area

Size: $5-7 million gross sales annually.

Type: Specialty pharmaceuticals.

Comments:

All sales of Company "S" are through drug wholesalers on $100 minimum orders. The manager stated that their selling is mainly in heavily populated areas of the eastern half of the United States. Company "S" and one other small concern employ full-size packages for demonstration purposes during the detail.

The manager stated that many representatives create difficulties for the employer by their sales methods. Representatives must be reminded of company sales policies often.

Telephone and Personal Interviews with Sales Managers of Small, Proprietary Drug Manufacturers in the Boston Area

Personal Interview

SM-1

This was a small Cambridge, Massachusetts manufacturer of proprietaries engaged presently in contract packaging work. This company attempted to sell ethical drugs in 1947-48, but the expense of detailing physicians was too great.

Telephone Interviews

SM-2

This is a private-label manufacturer in Boston, Massachusetts who is switching from ointments made for physicians to sanitary products for household and office maintenance work.

SM-3

This concern, located in Boston, Massachusetts, has two employees to bottle purchased vitamin capsules. The sales manager does the detailing of the products. This is a concern that duplicates well-known multivitamin capsules. Four separate sources of information said that this concern was doing well financially. One small specialty drug wholesaler was selling $800-1000 of Company SM-3's products monthly.

SM-4

This Boston, Massachusetts concern had only one employee, the owner. However, his range of products and general financial condition was amazing. The owner formulates products desired by physicians, pharmacists, beauticians, and door-to-door salesmen.

SM-5

A small manufacturer in Boston, Massachusetts. The main product line is three ointments sold through drug wholesalers. Detailing is done in the heart of Boston.

SM-6

This was a small manufacturer in a suburb of Boston, Massachusetts. This company produces and sells competitive pharmaceutical drugs. The secretary of the concern said that five employees did all the work. Business had been very good for them these past five years. Distribution

is through drug wholesalers.

SM-7

A small husband-and-wife business in a suburb of Boston, Massachusetts. Most of the products, such as ointments and lotions, are intended for external use. A few feminine hygiene products are also manufactured. Sales are self-generating, according to the wife. They drop ship to the pharmacies on all orders by drug wholesalers if so desired.

SM-8

This was a small selling organization in Winchester, Massachusetts that has its ointment products made by Gilman Bros. It sells through drug wholesalers on a pay-when-ordered basis.

SM-9

A small manufacturer located in a suburb of Boston, Massachusetts, that deals mainly with duplicates of popular products. A number of the large manufacturers had commented about its products and activities. A number of telephone calls were made asking for a personal interview. The owner, a physician, promised to set the date and hour for an interview, but never did.

SM-10

A well-spoken-of family-operated pharmaceutical manufacturing firm located in the center of Boston, Massachusetts. Distribution of all products is through drug wholesalers. The treasurer refused to be interviewed because of the company's competitive position.

SM-11

This was a small manufacturer located in a suburb of Boston,

Massachusetts, employing five people. The main line of products is sold directly to physicians, wholesalers, nursing homes, and dentists. Detailing is used to obtain the first sale, and direct mail is used to remind the customer to purchase additional amounts. They are quite successful in the rural areas, selling specialties and competitive products in quantity.

SM-12

This was a small, but well-known manufacturer located in Boston, Massachusetts, selling nationally through medical journal advertising and a few representatives. The sales manager would not consider any discussion of the concern, because it was family-owned and therefore a private affair.

SM-13

This was a small pharmaceutical manufacturer having thirteen employees, located on the Worcester turnpike. The main business had been supplying drug products to the United States Government. However, the contracts had ceased and the manufacturer was turning to selling by mail to physicians.

Retail Pharmacists

RP-1

Large store in New Haven, Connecticut catering to office workers. The pharmacist repeated published information and would not express any opinions.

RP-2

Large chain drugstore in the center of New Haven, Connecticut. Customers are mainly office workers, transients, and shoppers. The

pharmacist was mainly concerned with Fair-Trade and the Robinson-Patman Act.

RP-3

Large, long-established drugstore on the edge of a tenement district in New Haven, Connecticut. The pharmacist-owner was very proud of his inventory system which kept the losses from unreturnable goods very low. He said that nine out of ten physicians will allow him to change the brand of drug if he does not have the particular one required by the prescription. He will not stock small manufacturers' products. He would rather obtain them from a wholesaler as needed.

RP-4

A professional drugstore in one of the best residential sections of New Haven, Connecticut. The pharmacist said that Massengill was dropped by one New Haven wholesaler because of the difficulty of returning goods to them.

He was of the opinion that ethical pharmaceuticals carried a large enough discount. He also spoke of year-end rebates very favorably. He never buys any drug which cannot be returned if unsold. His observation was that small-company representatives maintain good will contact, but do not expect the store to stock their items. This is to insure the company that the druggist doesn't "switch" the physician when their product is prescribed, but orders the prescribed item from the wholesaler.

RP-5

A neat drugstore located in a middle-income-class neighborhood in New Haven, Connecticut. The owner made the statement that most pharmacists

purchase "deals" much bigger than they can reasonably hope to sell. He complained about the concerns with $100 minimum order requirements. He reported that some concerns, to keep their representatives active, offer an additional 5 per cent discount on purchases from a representative even if orders are turned over to the wholesaler for filling.

He said that the difficulty of carrying items made by small manufacturers is that they do not have good physician detailing coverage. A. H. Robins is a good company because they detail the physician instead of spending their time selling to drugstores.

RP-6

Large drugstore in the center of Boston, Massachusetts. The pharmacist was quite concerned with the duplication situation which he considered quite severe. He went on to say that small manufacturers must deal through wholesalers because they do not command enough business to obtain orders from retailers directly. He insisted that substituters deal only in certain locations. His estimate was that only one out of ten manufacturers is reluctant to accept returned goods.

RP-7

This is an extremely well-organized and professional-appearing drugstore in Dorchester, Massachusetts.

The pharmacist was the fifth to complain about the unit package cost of new products. All have been of the opinion that $4-5.00 is too high to pay for a stock package before the item proves itself. He pointed out that direct accounts are subject to large unrequested or automatic shipments. Roche-Organon sent an unrequested $60.00 order a few years ago, and recently Upjohn shipped one for $26.00. He wants

the new product size to be approximately the prescription amount. He said that "free-goods" are used to equalize minor price differences. The pharmacist is not willing to buy a more expensive item on the basis of friendship with the representative alone, so he will request "free-goods".

Schenley Laboratories recently raised the price of their pharmaceuticals to double or triple what they had been. The retail pharmacists complained so vigorously the prices were reduced drastically to slightly above the previous price level. The pharmacists are now so confused that they are buying only for their immediate needs.

RP-8

This was another very professional pharmacy on the edge of the Dorchester, Massachusetts shopping center. This store buys 75 to 80 per cent directly from the manufacturer. The remainder is bought from wholesalers because of infrequent use and high minimum order requirements of the manufacturer. He complained about small wholesalers being untrustworthy. He said that their invoices were often incorrect in the wholesaler's favor. Another of his complaints concerned antibiotic products sales to the physicians at prices lower than those offered retailers.

RP-9

This was a compact drugstore located in a Worcester, Massachusetts medical building. The pharmacist said the public is too well-informed to be cheated. They will not deal with a store which they have heard substitutes other brands for the one their physician prescribed. Representatives do not tell the pharmacist enough about their products.

All they ever try to do is sell or check stock. He said that returning goods is difficult if the quantity is large.

RP-10

This was a large well-organized drugstore near the edge of the Worcester, Massachusetts shopping district. The pharmacist stated that generic names will never be popular. They are too difficult to use. When the trade name is short and distinctive, it facilitates remembering and writing a prescription.

RP-11

This was a neighborhood drugstore in a factory district on Western Avenue, Brighton, Massachusetts. The pharmacist was very concerned with the price he could charge on prescriptions. He stated that the cost of most new drugs was too high for his clientele. During the interview, it was noticed that he did considerable counter-prescribing and selling of proprietaries.

Wholesalers

W-1

The interview was with a specialty or short-line wholesaler in Dorchester, Massachusetts. All new products are returned after six months by this wholesaler if they are not moving. He noted that the products which move most rapidly have a good detailing program behind them, regardless of whether they are manufactured by a small or large concern. He said that it cost him 12 per cent of gross sales to do business (not including cost of goods). He stopped carrying Massengill products when they reduced their wholesale discount. It was his opinion that some manufacturers create so many new products that they are unable

to sell any of them satisfactorily. His last opinion was that duplication is successful because of physicians' loyalty to representatives.

W-2

This was an interview in Boston, Massachusetts with a chain store warehouse manager well-versed in pharmaceutical drug distribution problems. Over 200 stores are serviced from this warehouse with all brands of products except Eli Lilly. He begrudgingly admitted that Eli Lilly could get away with it because of the demand they have created for their products. He was satisfied with the advance information given by manufacturers concerning the new products to be released. The warehouse maintains a 30-day supply of all drugs and has a two-week supply on order at all times. He holds all drugstore managers responsible for the return of items prior to their expiration date, so that credit will be given by the manufacturer. He stated, "We love to make money on prescriptions; nicest business in the world." New products are bought only if sale is guaranteed on the invoice, he said. A difficulty of dealing with small manufacturers, he said, was that they offer few services.

He estimated that most new products take nine days on the average to start moving in drugstores.

W-3

This interview was with a full-line, long-established wholesaler in Worcester, Massachusetts. The wholesaler felt that the discounts offered were not enough for the service they provided. He complained about the superior attitude displayed by representatives of large concerns. He thought "switching" was due to increase because of the price

spread between various brands of the same drug product. He expects to order his stock eight times a year. If a new item does not start moving in 90 days, it is sent back to the manufacturer. All small manufacturers in Worcester have been existing on government orders, he said.

Physicians

P-1

A physician with a general practice located in Newton, Massachusetts was interviewed. The physician was very satisfied with his professional relations with pharmacists in Newton. He appreciated the privilege of passing behind the prescription counter to examine the drug products so that he would know what his patients were talking about when they said "small red pill", or a "bean-shaped pink pill". The physician stated that he has never encountered a "sample buyer" and had not ever heard his colleagues speak of one.

The physician had only the highest praise for most medical representatives. He admitted that one of them overstocked him when he started to practice 14 years ago. He has never since bought any of their products. He felt biased favorably toward three representatives; one whose family physician he is; one who attends his church; and one who belongs to his fraternal organization.

He said that he allows 9 out of 10 pharmacists who telephone to "switch" brands of drugs.

He was of the opinion that detailing is a postgraduate medical course. Most physicians are eager to see a representative. However, representatives should detail about products in which the physician has an interest. In all his experience, only a few representatives

overstayed their time and had to be reminded to leave.

Student Physician

SP-1

A third-year Tufts College medical student was interviewed. He found the direct mail advertising for nonspecific-use drugs to be repetitious. The medical student stated that he does not pick up his mail and knows that many of the school's faculty do not either. He specifically applied this complaint against Roerig. He also said that an increasing number of practicing physicians, personally known to him, will see only the representatives of particular drug manufacturers.

Educator

Ed-1

This was an interview with an educator who is concerned with pharmacy operations. He was of the opinion that most physicians do not take their direct mail samples from the mail basket, but instead have them thrown into the rubbish basket.

He said that "free-goods" were prevalent in hospital pharmacies because the representatives were anxious to fulfill their monthly quotas by obtaining the usually large hospital pharmacy orders. He was also of the opinion that free samples to the druggist accomplished nothing. The pharmacist needs support at the prescription-writing level by extensive and good detailing. Representatives should not spend their time selling to drugstores, but should, instead, detail to create the demand for the drug product.

He thought that an introductory discount for a new product would help it move into the pharmacies faster.

Pharmaceutical Marketing Consultant

PMC-1

This was an interesting and informative interview with a pharmaceutical marketing consultant. It was his opinion that the personality of the representative was the one most important thing in selling pharmaceuticals. He pointed out that many "deals" are sold to meet the minimum order requirements, or to provide sufficient volume to qualify as a direct account.

He said only a good new product will stay in the market. Prescription writing is too fast today to hide a poor or useless product. Physicians are susceptible to changing from one product to a newer one if they feel it is a little better. At least 20 per cent of all physicians try a product for its newness alone. They like to have the patients believe they are being given something new or better.

Abbott representatives are aware of a physician's tight schedule. They have been trained to give a concise one-minute detail on every product in their line.

It was the consultant's opinion that 99 per cent of the substitutions made today are the direct fault of the pharmacist.

CHAPTER V

CONCLUSIONS

It is recommended that for detailed information the Results of the Questionnaires and Interviews be read. The broadness of the thesis subject eliminates the possibility of concise statements of fact or opinion in the conclusions.

The marketing methods employed by manufacturers and their acceptance by the various trade groups have been divided and placed under the most descriptive heading. In this way, it is possible to segregate the total information collected on the questionnaires and through personal interviews.

Comparison of Small and Large Manufacturers Marketing Methods

The retail and hospital pharmacists and the drug wholesalers were of the opinion that there was little difference in the caliber of representatives and the marketing methods employed between small and large manufacturers. Only the medical doctors mentioned that representatives of large concerns sell harder than those of small concerns. The physicians' opinions may be due to the infrequency of calls by representatives of small concerns, or the lack of new products in which they may be interested.

Opinions Concerning Small Local Manufacturers

All of the questionnaires and personal interviews revealed a lack of appreciation for small local manufacturers. However, the small local manufacturer is taking more of the market than the nationally known

manufacturers care to admit. The small manufacturers have succeeded in gaining more business through price reductions, friendship, and various other inducements. At least 13.2 per cent of the physicians questioned commented that local manufacturers offered a better price for products of a similar quality. The drug wholesalers are not concerned with this problem because they are able to stock products from small manufacturers on consignment or a "pay-on-reorder" basis. The retail pharmacist is not too enthusiastic about stocking small manufacturers' products, but he continues to do so in order to fill prescriptions that call for these products. The hospital pharmacist is not overly concerned as long as the price of the item is better than he can obtain elsewhere for the same quality and quantity.

There have been small local manufacturers competing for many years with manufacturers who distribute nationally. The present extremely competitive situation of the pharmaceutical industry and the multiplicity of new products have given the small local manufacturer a favorable climate in which to expand his segment of the market.

Acceptance of Manufacturers Representatives

All trade groups questioned found the representatives to be helpful and considerate. The growth of the pharmaceutical industry has also resulted in a much greater number of representatives calling on physicians. Physicians and hospitals have begun to limit the number of representatives they will see and the hours at which they will see them. Physicians are limiting their conferences to representatives of large manufacturers with extensive research facilities. The opportunity to hear about a new use for an old product or an entirely new product is

greater than from a smaller manufacturer without adequate research facilities selling duplicate products.

Retail pharmacists want less order-taking from them and more detailing to physicians on the part of the representatives. Since the key to the selling of ethical drug products is to induce the physicians to prescribe them, the view is well taken. All small manufacturers favorably impressing the retail pharmacist do extensive detailing.

The two main complaints against representatives concerned high-pressure selling and the "knocking" of competitors.

The frequency with which a representative should call depends on the class of the account. Hospital pharmacists and drug wholesalers prefer visits twice a month on the average. Retail pharmacists prefer seeing the representative once a month, while physicians depending on their specialty have a range of one to six months in which they would like to see him. The wholesaler's salesman has an advantage in that he calls on the retail pharmacist every seven to ten days.

Direct Accounts

It was assumed that most retail pharmacists maintain at least one direct account. The questionnaire answers indicated that 42 per cent of the physicians and 57 per cent of the hospital pharmacists maintain direct accounts. To some extent, direct account purchases are losing their advantages over purchasing from wholesalers. The excessive minimum order quantities required and the duplication of stock brought about by contractual obligations have resulted in more trade for the wholesalers.

The retail pharmacist and drug wholesaler have been outspoken about their lack of appreciation for the manufacturers that sell directly to physicians. There is need to sell directly to physicians because of their location or the type of product involved. However, there is no need to sell products directly to physicians at a lower cost than they are available to retail pharmacies. The cooperation of the pharmacist with the manufacturer must be based on mutual trust at all times and must not be broken for the convenience of one or the other.

Drug Wholesalers

The drug wholesalers' volume of sales has been increasing proportionally to the growth of the entire pharmaceutical industry. However, based on the high regard that retail and hospital pharmacists have for the service, speed, and convenience offered by drug wholesalers, it is predicted that their share of drug distribution will grow. Many small pharmaceutical concerns are discontinuing direct accounts for both pharmacies and physicians and, instead, distribute their products through drug wholesalers. This method is adequate for small concerns regardless of whether the products involved are specialties or competitive items. By freeing the representatives from stock-checking and order-taking, more time can be spent detailing. Just maintaining a direct account will not in any way induce a physician to prescribe the products.

The drug wholesalers sell only to drug retailers or to accounts which do not usually buy from drug retailers. No effort has been made by drug wholesalers to sell to physicians directly, but only through drug retailers.

Some complaints have been made against drug wholesalers by those distributing through them. The manufacturers claim that the wholesalers are not actually selling the products for which they are paid a service charge. Instead, the wholesalers are stock-checking and order-taking. The drug wholesalers maintain that their selling effort is unproductive and their main function is storing and distributing.

Wholesalers share some discounts. This is a means of combating direct-account drug retailers that act as wholesalers. They also challenge the buying syndicates formed by a group of retail pharmacists to obtain the larger direct account discounts. In some cases, the discount is shared to attract customers.

Discounts

The retail pharmacist is not satisfied with anything less than 40 per cent on the resale price of ethical drug items. Many pharmaceutical manufacturers are offering this discount, or intend to do so soon.

The drug wholesalers are dissatisfied with their 16 2/3 to 18 per cent discounts and desire 20 per cent. The trend is in that direction for those manufacturers not yet offering the discount.

Retail Pharmacy Courtesy Discounts

Only 40 per cent of the pharmacists answering offered any special service to physicians. Some of these services were courtesy discounts. At least 82 per cent of the physicians said they obtained courtesy discounts. Possibly the pharmacists answering did not consider this a special service. From the information gained at interviews with retail pharmacists, this seems like a good method of encouraging interprofessional relationship.

Minimum Order Quantities for Direct Accounts

The retail pharmacists desire the minimum order quantities in the $25-50 range, while the drug wholesaler desires a range of $50-100. This is an important consideration, else the retail pharmacists switch to buying from wholesalers or attempt to induce physicians to prescribe the line of products they have continued to carry.

"Deals"

At least 23.5 per cent of the physicians and 80.0 per cent of the retail pharmacists answering buy "deals". Hospital pharmacists stated that they were in favor of "deals". The drug wholesalers, as a trade group, were not very enthusiastic about "deals".

The main difficulty with "deals" is the large amount purchased in the hope of a "long profit". This is due to the eagerness of the pharmacist and the encouragement of the representative selling the "deal". More consideration should be given to the amount a pharmacy is able to sell and a better check by the representative to see that it is sold and not forgotten, resulting in a later complaint about overstocking.

As a rule, the sales managers for small companies had nothing good to say about "deals". This is because a "deal" by itself does not induce sales.

Return-Goods

At least 61.5 per cent of the retail pharmacists said it was difficult to return goods for credit. The hospital pharmacists and drug wholesalers did not have this complaint to the same degree. The difficulty seems to lie in the poor inventory system of the retail pharmacist. All ethical drug products have a guaranteed sale, usually within

one year from the date of purchase. Retail pharmacists stated that most new products are being prescribed within a two-month period after their introduction. The sales managers estimated the period it takes to start a new product moving at three to four months. Most drug wholesalers return new products to the manufacturer for credit if they have not moved in six to eight months. It should be the duty of the pharmacist to inventory his stock before the guaranteed sale period is completed and return the products for credit.

"Free-Goods"

The use of "free-goods" is a prevalent sales practice for obtaining orders. In most instances, it is instigated by the representative; in others, it is the unwritten policy of the manufacturer; and in others, it is initiated by the request of the pharmacist. "Free-goods" induced sales is not a safe and certain way of obtaining orders. Hospital pharmacists are frequently approached because of their known desire to obtain goods as economically as possible, which "free-goods" accomplish by reducing the effective unit price of the drugs purchased.

New Product Samples for Pharmacists

Almost every retail and hospital pharmacist desires samples of new drug products. The reason for this desire is the apprehension that these new products will not sell and any investment made for a stock package will not be recovered. Another reason is for the identification of the product and its use in the instruction of hospital personnel. But, mainly, a sample is to be used to fill the first prescription. To send a patient away to have his prescription filled elsewhere is the greatest calamity that can befall a pharmacist.

Many of the pharmacists obtain samples from the representatives and, to some extent, from physicians with whom they are friendly.

The sales managers were in agreement that samples to pharmacists accomplished nothing in the way of selling more of the drug. They said that the samples should be given the physician to use. The demand created by the use of samples would more than compensate a pharmacist for his investment in the new product.

The hospital pharmacists reported that many of their physicians give them the samples they receive.

Product Samples for Physicians

Only 36.8 per cent of the physicians answering the questionnaire were dissatisfied with the amount of samples given them by representatives. The quantity of samples given physicians varies with the manufacturer, the product, and the expense involved. Each physician and each product is an individual problem for the representative. The sales managers for the four small manufacturers were in agreement when they said sampling tended to cheapen the product to the physicians. Yet many well-known products were started by being left with physicians in such great number that in handing them out, they indirectly endorsed the products to the patients, to the satisfaction of the manufacturers.

The decision to sample a physician rests with the representative. Some physicians will not accept any samples. Other physicians request large quantities, which they dispose of to their advantage. Promiscuous sampling is not the answer. Each physician is a problem unlike any other problem. It is the representative's duty to supply large quantities of samples if he believes the physician will use them properly

and to limit his sampling with those physicians that will not use the samples wisely. Again, the experience of the representative is the answer to the situation. It has been demonstrated that large trial samples are productive. Most manufacturers send a full-size bottle for the physician's use directly to him upon the written request of the representative. The sample size should be increased to at least one full treatment. Most of the samples used are for identification purposes only and are never given to patients because of the limited amount of medication they contain.

Physician's Nurse or Receptionist

The physician depends on his nurse and receptionist to assist him through his busy day. Many times he delegates the responsibility to the receptionist to allow only certain representatives to be interviewed by him. The nurse oftentimes selects the brand of drugs used in the office and on home-patients. Considering the influence of the receptionist and nurse on the physician, two manufacturers supply their representatives with gifts for them. One manufacturer offers hand lotion and the other vitamin capsules as gifts.

Literature Describing Use of New Products

The physicians and retail and hospital pharmacists all desire reprints of scientific articles dealing with the therapeutic use of a new product. The retail and hospital pharmacists desire this material for their own education and for a file they maintain for the use of physicians that call for drug product information. The physicians are quite amiable to condensations of medical literature.

Direct Mail Advertising

On the average, physicians read approximately one half of their direct mail. Almost all the physicians save the samples they receive through the mail. Mr. Robert J. Lyon's previously mentioned survey indicated the same results.

Hospital Pharmacy Relations with Physicians

Only 63 per cent of the hospital pharmacies carry the brands of drugs the physicians request, while 34.2 per cent of the physicians stated that they had difficulty convincing the hospital pharmacy to stock the brand of drugs they require.

In their questionnaire, eight out of fifteen hospital pharmacists said that the physicians they dealt with had brand preferences. Of the fifteen, five said they would stock the physician's brand requirements if he promised to use the entire quantity. In the remaining hospitals, the physicians had to make a formal request for a particular brand. As can be seen, the hospital pharmacist is very influential when it comes to selecting drug brands.

Stocking of New and Duplicate Products

Drug wholesalers will stock the products of large manufacturers without question. The products of small manufacturers are taken on consignment only.

Drug retailers are reluctant to stock any new product regardless of its source. They will wait for the first prescription before purchasing a package of the product.

Numerous complaints were made by retail pharmacists during interviews concerning the size and cost of a stock package of a new product.

Many of the pharmacists urged a smaller size not costing more than $2.00 until the product proved its usefulness. The product size suggested would be sufficient for one or two courses of therapy.

The use of generic names was discussed under the A.R.B. term. It is unlikely that physicians will use this term. It is their privilege and right to prescribe the product most useful to the patient, from the source they desire. For that reason, "switching" a physician to another brand will never be very successful. It will happen only when the pharmacists become friendly enough with the physicians to ask this of them as a personal favor.

The one way pharmacists have controlled the problem of new products and duplication has been the interchange of products among themselves. Where it is possible, pharmacists borrow drugs not in their stock so as to be able to fill a prescription.

Substitution

Of the physicians answering, 31.6 per cent agreed that there is considerable substitution of drug products. Many of them pointed out the fact that many hospitals were substituting for the prescribed brand of product. Most of the wholesalers agreed that substitution is quite prevalent.

The impression gained was that the physicians and wholesalers expected the manufacturers to locate and prosecute the substituters. The physicians assumed the attitude that they had discharged their duty by prescribing the product and the brand and if the manufacturer desired it to be used, he should correct the situation.

Sample Buying

This seems to be a limited operation. The opinions obtained were sketchy as to the extent and location of the sample buyers.

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APPENDIX

100 Memorial Drive
Cambridge 42, Mass.
March 11, 1954

Dear Pharmacist,

I realize you are a very busy person but I would appreciate a few minutes of your time and the benefit of your experience.

As a graduate student at M.I.T. (Course XV) I have selected as my thesis subject a study of competitive sales practices in the pharmaceutical industry. I am only concerned with those practices which affect professional items used to fill prescriptions and those proprietaries which are sometimes prescribed.

Allow me to assure you that your name or the name of any pharmaceutical manufacturer you might wish to mention will not appear in the thesis. Nor is this letter or the attached questionnaire coded in any way. When you return your answered questionnaire, unsigned, it will be one of many.

An addressed and stamped envelope is enclosed for your convenience.

Very truly yours,

Joseph I. Lisaius

Joseph I. Lisaius

Opinion Survey
for a Graduate Thesis

To be answered by a pharmacist responsible for
the purchase of professional items.

(1) What discounts off list price do you consider proper?

(2) Do most of the pharmaceutical manufacturers you deal with presently offer this (1) discount?

(3) Do you prefer buying directly or from a drug wholesaler?

(4) Do the representatives that call on you provide sufficient information about their products?

(5) As far as you are concerned, what companies have the best trained representatives?

(6) Is selling to the physician still strong in your trading area?

(7) Do you buy "deals"?

(8) Have these "deals" been profitable?

(9) Do you obtain many initial samples of new drugs?

(10) Does an initial sample of a new drug help you?

(11) How does it (10) help you?

(12) Do you offer any special services to the physicians in your trading area?

(13) Would you care to list these services?

(14) Do the samples left with physicians materially affect your business?

(15) What is your policy for the handling of new items placed on the market by small pharmaceutical manufacturers?

(16) Have you noticed any difference in the sales methods used by the small manufacturers to get distribution as compared to the large manufacturers?

(17) Would you care to mention a few of the differences (16)?

(18) What sales methods "get your goat"?

(19) What is your policy on duplications?

(20) How often should a representative call on you?

(21) Are you of the opinion that certain drugstores get better sales terms than you do?

(22) Would you care to elaborate on (21)?

(23) It is said that the large companies need higher prices to cover advertising and administrative expenses. Would you say a smaller company selling similar items for lower prices have just as good products quality-wise?

(24) Would you care to name a few small companies you consider progressive and "comers" in the field?

(25) Do you stock your own "private label" items?

(26) Is it difficult to return goods to some manufacturers?

(27) Drug Trade News stated recently that wholesalers did better than retailers in 1953. Should wholesalers share their discount with retailers?

(28) What is your opinion of the year-end rebate on volume of business?

(29) Do you buy "final sale" items?

(30) What do you do if you are just out of an item, the wholesaler is closed, and the prescription must be filled?

(31) Have you heard of any sample buying recently?

(32) How long does it take for a new item to start moving in your trading area?

(33) Many cities now have very small specialty pharmaceutical manufacturers and/or distributors. These concerns are able to get their products specified by intensive detailing.

a) Are these concerns, in your opinion, serving a useful function?

b) Are their products better than those of other concerns?

c) Are they more reasonably priced because of the shorter distribution chain?

d) What other methods do they use besides detailing to gain entry into the market competing against large national concerns?

(34) What in your opinion is a fair minimum order when buying directly?

(35) How long do you keep an item before considering it dead?

(36) What firms, in your opinion, are best in the entire field? Name three large and three small firms.

(37) Do representatives of large concerns sell as hard as those of small concerns?

Comments:

100 Memorial Drive
Cambridge 42, Mass.
March 21, 1954

Dear Hospital Pharmacist:

I am writing to you for your help. As a graduate student at M.I.T. (Course XV) I have selected as my thesis project a study of competitive sales practices of the pharmaceutical manufacturers. I would very much appreciate obtaining the benefit of your experience in buying drugs for the hospital.

Allow me to assure you that your name or the name of any pharmaceutical manufacturer you might care to mention will not appear in my thesis.

An addressed and stamped envelope is enclosed for your convenience.

Very truly yours,

Joseph I. Lisaius

Joseph I. Lisaius

for a Graduate Thesis

To be answered by a hospital pharmacist

Please note:

(a) No names of individuals or of pharmaceutical firms will be identified with sales practices in the thesis.
(b) Feel free to leave any questions unanswered if you so desire.
(c) Names of pharmaceutical firms are only requested for correlation purposes.

(1) Please give the approximate amount, in dollars, of drugs purchased in 1953.

(2) What percentage of your drugs are purchased directly from the manufacturer?

(3) Do you buy many items from your local drug wholesaler?

(4) If you purchase locally would you give your reasons for doing so?

(5) Do you see all of the manufacturer's representatives that call on you?

(6) If you don't sell all of them (5), which manufacturer's representatives do you see?

(7) Do representatives leave samples of new products with you?

(8) Is this useful to you, and if so, how?

(9) Should you be given reprints of medical articles pertaining to new products?

(10) Do you buy "deals" (special offers)?

(11) Do the representatives of small manufacturers pressure you more to specify their brand as compared to the representatives of large manufacturers?

(12) Do you have very small local manufacturers calling on you?

(13) Are their (12) prices better than nationally distributed items?

(14) Are most representatives eager to leave large amounts of samples with you for use by the hospital physicians?

(15) Do some of the hospital physicians give their drug samples to the pharmacy?

(16) Do most hospital physicians have a preference for a certain brand when there is more than one available of that item?

(17) Who actually selects the brand to be stocked by the hospital pharmacy?

(18) Briefly, how does a physician induce the hospital pharmacy to stock an item he desires?

(19) Is it true that representatives tend to monopolize the hospital pharmacist's time because of the size of the order he might obtain?

(20) How often should a representative call on you?

(21) What manufacturers have the best trained representatives?

(a) Large concerns:

(b) Small concerns:

(22) What sales methods "get-your-goat?"

(23) Do you manufacture many of your preparations?

(24) Care to mention a few (23)?

(25) Is "free goods" a prevalent sales method of all pharmaceutical manufacturers?

(26) If it is not prevalent (26), do certain manufacturers' representatives attempt to induce sales with that method?

(27) Are there any particular services a pharmaceutical manufacturer should provide a hospital pharmacist?

[illegible] Survey
[illegible]

To be answered by a Drug Wholesaler

Please note:

(a) No names of individuals or of pharmaceutical manufacturers will be identified with sales practices in the thesis.
(b) Feel free to leave any question unanswered if you so desire.
(c) Where names of pharmaceutical manufacturers are requested this is only for correlation purposes.

(1) Are the discounts offered you by pharmaceutical manufacturers sufficient, in most cases?

(2) What is the range of the discounts you receive?

(3) Do you know of any drug wholesaler who is presently sharing his discounts with his drugstore accounts?

(4) If so (3), how much?

(5) Do you offer daily and special delivery service?

(6) What are your credit terms?

(7) Are you usually stocked sufficiently ahead to give good service when a new product is detailed in your trading area?

(8) What is your policy as to the stocking of a new line of pharmaceuticals?

(9) Are there any pharmaceutical manufacturers that are reluctant to authorize goods to be returned?

(10) Care to name them (9)?

(11) Have there been any sales practices used recently by pharmaceutical manufacturers that "got-your-goat?"

(12) Care to mention them (11)?

(13) Have you found the representatives of small pharmaceutical houses to be more aggressive than the representatives of large pharmaceutical manufacturers?

(14) Do your representatives cover only the retail stores or do they detail also?

(15) Approximately what part of the time do they spend detailing?

(16) Are most representatives considerate of your needs as compared to their desire to sell you a large order?

(17) Do you feel that year-end rebates policies given by some manufacturers affect your business materially?

(18) Is "switching" the physician by the druggist on the increase?

(19) Is there "sample buying" going on in your trading area?

(20) Do "deals" materially help you in the long run?

(21) Should you be supplied with "deals" specially marked so that they can't be returned later for full credit, minus the free goods.

(22) How long do you keep an item before considering it "dead"?

(23) Please name three large manufacturers and three small manufacturers you consider exceptional from a new product development viewpoint?

(24) Please do the same as (23) from a sales promotional viewpoint?

(25) What is in your opinion a fair minimum order?

(26) Are small local pharmaceutical manufacturers prevalent in your trading area?

(27) Do these manufacturers (26) have any special service or product to offer?

(28) Are their (26) price competitive?

(29) Do you have your own "private-label" line of goods?

(30) Do you ever buy "final-sale" items?

(31) How long does it take for a new item to start moving in your trading area?

(32) Is there a buying syndicate organized among certain drugstores in your trading ar

(33) Is it your opinion that substitution is fairly common on some specialties?

(34) Is it your opinion that physicians use the new drug samples given them by representatives?

(35) Is it your opinion that some veterinarian products are diverted from their originally intended use because of price considerations?

100 Memorial Drive
Cambridge 42, Mass.
March 15, 1954

Dear Doctor:

Please read this letter. I am not selling a thing. I am only asking to share in the knowledge of your drug buying policies and experiences.

As a graduate student at M.I.T. (Course XV) I have selected as my thesis subject competitive sales practices of the pharmaceutical manufacturers.

The attached questionnaire does not require your signature as this is an opinion survey. Nor will it take too much of your time to answer. If you desire, your nurse may be able to give me most of the information. Please have her write "nurse" at the top.

An addressed and stamped envelope is enclosed for your convenience.

My deepest appreciation for your time and effort in assisting me.

Very truly yours,

Joseph I. Lisaius

Joseph I. Lisaius

Opinion Survey
for a Graduate Thesis

To be answered by a medical doctor

Please note:

(a) No names of individuals or of pharmaceutical firms will be identified with sales practices in the thesis
(b) Feel free to leave any questions unanswered if you so desire
(c) Names of pharmaceutical manufacturers are only requested for correlation purposes

(1) If you specialize would you please list it.

(2) Do you have any direct accounts with pharmaceutical manufacturers?

(3) If so, (2), approximately what percentage of your professional drug supplies do you buy from them?

(4) Approximately what discount does your druggist allow you on supplies you buy from him?

(5) Approximately what percentage do you read of your direct mail?

(6) Do you save the drug samples mailed to you?

(7) If you don't save all of them (6), what particular types do you find useful in your practice?

(8) Do you see all the manufacturers' representatives that call on you?

(9) If not (8), which manufacturers' representatives do you see?

(10) Do the representatives that detail a new product leave sufficient samples for a proper trial?

(11) If not (10), how many should they leave?

(12) Are most representatives considerate of how much of your time they take up?

(13) Do you desire reprints of articles concerning the new product you are being told about?

(14) Should medical articles reprints be condensed?

(15) Have you found many instances of druggists calling you and asking to have a prescription specification changed because a new product is not available in the distribution channels, as yet?

(16) If the above happens often, do you:
(a) Stop specifying that new drug?

(b) Have the representative get a supply in?

(c) Tell the patient beforehand where you know the new product is actually st

(17) Is it your opinion that druggists should receive free samples of new products at the same time you do?

(18) Has there ever been occasion for you to assist a druggist in filling a prescription for a new product by giving him some of your samples?

(19) Do you ever buy "deals," (free goods with a large quantity purchase)?

(20) Do you find representatives of small manufacturers pressuring you more to specify their products than the representatives of large manufacturers?

(21) Do you have very small local manufacturers calling on you?

(22) Have you found their (21) products to have certain advantages over those sold by large manufacturers?

(23) Are their (21) prices better than nationally distributed items?

(24) Please name a few pharmaceutical manufacturers whose representatives are trained to be concerned with and considerate of your problems?

(25) Does the pharmacist in the hospital you serve carry the brands of drugs you prefer?

(26) Is there much "red-tape" to have the new products you prefer stocked by the hospital pharmacist?

(27) Have you heard of any "sample-buyers" operating in your vicinity lately?

(28) How often do you prefer to have a representative call on you?

(29) Is it your opinion that substitution is fairly common on certain specialities?