

Sales Policies and Methods of Distribution Employed by
Pharmaceutical Manufacturers

By

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Introduction

There are several hundred pharmaceutical manufacturers in this country today employing different sales policies and methods of distribution in selling their products. A feeling of interest

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druggist in the United States, and it would seem that anyone associated with pharmacy must be interested in knowing something of the sales policies of these manufacturers. It must be said at this point, however, that this work is purely of an academic

Introduction

There are several hundred pharmaceutical manufacturers in this country today employing different sales policies and methods of distribution in selling their products. A feeling of interest as to what percentage of the better-known drug manufacturers are distributing their products entirely through wholesalers, which ones sell to physicians, hospitals, dentists, and veterinarians, and how many are pursuing a strict policy of marketing exclusively through the drug trade, has prompted this work---a survey of the sales policies and methods of distribution employed by pharmaceutical manufacturers.

Beginning in October, 1939, about eighty well-known pharmaceutical houses were selected and sent questionnaires, a copy of which is included in this thesis. Thirty-eight of these concerns returned the completed questionnaires and the subject matter of this work is based on the information received from these thirty-eight companies. At first thought, it might seem that the picture is an incomplete one in view of the fact that there are many more concerns than this engaged in the business of pharmaceutical manufacturing. In contrast to this it might be said that these are thirty-eight of the leading, nationally-known concerns, and they undoubtedly are representative of the whole. The products of most of these companies are being sold daily by virtually every druggist in the United States, and it would seem that anyone associated with pharmacy must be interested in knowing something of the sales policies of these manufacturers. It must be said at this point, however, that this work is purely of an academic

nature, and those concerns submitting information have done so with the understanding that it was not to be publicized. For this reason, their names are not mentioned directly in the tables and summaries that follow, but they are referred to as Company 1, Company 2, Company 3, etc.

The tables that follow present the facts better than a detailed written account could. An attempt has been made after each table, however, to discuss the aspects of the question and to interpret the findings.

- 1---Yes
- 2---No
- 3---No
- 4---No
- 5---No
- 6---No
- 7---Yes
- 8---No
- 9---No
- 10---No
- 11---No
- 12---Yes
- 13---No
- 14---No
- 15---Yes
- 16---Yes
- 17---Yes
- 18---Yes
- 19---Yes

- 20---No
- 21---No
- 22---Yes
- 23---Yes
- 24---No
- 25---Yes
- 26---Yes
- 27---Yes
- 28---No
- 29---Yes
- 30---Yes
- 31---Yes
- 32---Yes
- 33---Yes
- (a) 34---Yes
- 35---Yes
- 36---Yes
- 37---No
- 38---Yes

(a) Except in isolated cases where the retailer had difficulty in obtaining an item through his wholesaler.

(b) "To a very few leading pharmacies."

(c) "Unless they buy in wholesale quantities."

(d) "To chains only."

(e) "We sell to only a few retailers direct and are adding no new ones."

Table 1

Do you sell direct to retailers?

Yes-22 57.8% No--16 42.2% Company--Answer

- (a) 1---No
 2---No
 3---Yes
 4---No
 5---No
 (b) 6---Yes
 7---Yes
 8---No
 9---Yes
 10---No
 (c) 11---No
 12---Yes
 13---No
 14---No
 15---Yes
 16---Yes
 17---Yes
 18---Yes
 19---Yes

Company--Answer

- 20---No
 21---No
 (d) 22---Yes
 23---No
 24---No
 25---No
 26---Yes
 27---Yes
 28---No
 29---Yes
 30---Yes
 31---Yes
 32---Yes
 33---Yes
 (e) 34---Yes
 35---Yes
 36---Yes
 37---No
 38---Yes

(a) Except in isolated cases where the retailer has difficulty in obtaining an item through his wholesaler.

(b) "To a very few leading pharmacies."

(c) "Unless they buy in wholesale quantities."

(d) "To Chains only."

(e) "We sell to only a few retailers direct and are adding no new ones."

Do you sell direct to retailers?

This is a question of interest to all branches of the drug trade. As is seen from the table, 57.8% of the manufacturers---about three out of every five---answered in the affirmative. This question of whether a manufacturing concern should or should not sell direct to the retailer presents a different problem as far as the retailer, the wholesaler, and the manufacturer are concerned. Considering it first from the standpoint of the manufacturer, the policy of selling direct to the retailer seems to have its advantages as well as disadvantages. To begin with, every pharmaceutical manufacturer, of course, wants to sell as much as possible and hesitates to turn away any orders for his merchandise. "A bird in the hand is worth two in the bush," and many companies, no doubt, feel that it is better to fill every order they receive rather than to refer the customer to a wholesale house. When a retailer orders direct, he usually does so in fairly large quantities---in larger quantities, as a rule, than he would if he were ordering from his wholesaler. Then too, wholesalers cannot possibly stock all the products of every manufacturer, and no doubt in many instances much time can be saved if a retail druggist orders direct. Also, many manufacturers have perishable goods, such as certain biologicals, that can best be sold direct. On the other hand, in many instances it is more profitable for a manufacturer to distribute his products through wholesale houses. He does not need a complicated system of book-keeping nor as large an office or shipping department personnel to handle a comparatively few accounts for wholesalers as he would

if he were selling direct to a much larger number of retail accounts. Then too, the average retailer, who does not do a large enough business to warrant his buying direct, frowns upon a manufacturer selling his larger competitors direct and giving them quantity discounts. Every manufacturer wants to keep the favor of the average retail druggist and this probably is one reason why many manufacturers prefer not to sell direct.

From the standpoint of the wholesaler, it would, of course, be advantageous if no direct sales from manufacturer to retailer were made. He has his investment and naturally desires his share of the profits in the marketing of merchandise. It is quite true that wholesale houses cannot stock every product on the market, but they might well present the argument that those products they do not regularly stock can be procured by them from the manufacturer on short notice.

As far as the retailer is concerned, his policy of buying direct or not buying direct is determined to a great extent by the amount of business that he does. Most of the drug chains and larger retail establishments have undoubtedly done a great share of their buying direct because of quantity discounts. Until the enactment of Fair Trade legislation, special discounts and secret rebates offered by many manufacturers were a great inducement for direct buying by those retailers, particularly chains, who had enough capital to take advantage of them. Fair Trade has undoubtedly eliminated much of this. If a retail establishment does a large enough business to warrant buying in large quantities, it is obviously to its advantage to buy at least some of its stock direct, since most manufacturers still

offer certain quantity discounts. As far as the average retail druggist is concerned, however, it is better for him to do most of his buying through his wholesaler for the reason that he can buy in smaller quantities, in proportion to his sales, and with a smaller capital investment than if he purchased his goods direct from the manufacturer.

Some of the comments on the returned questionnaires were interesting. Company 1 does not sell direct except in isolated cases when the retailer has difficulty in obtaining an item through his wholesaler; Company 6 sells direct only "to a very few leading pharmacies;" Company 22 sells direct to chains only; Company 34 sells to "only a few retailers and are adding now new ones." Most of those companies returning the questionnaires made no comments other than answering "yes" or "no" to this question, but it seems that those that did comment prefer to do the bulk of their business through wholesale drug houses rather than with the retailer directly, although they do fill orders from responsible retailers who prefer to buy certain products direct rather than through the wholesaler.

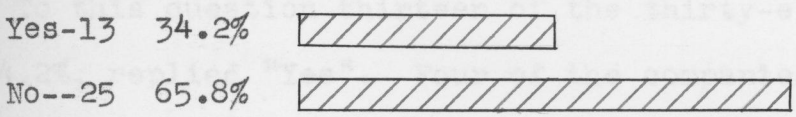
(b) "The bulk of our business is through wholesalers."

(c) "50% distribution through wholesalers--20% direct to retailers who have proved themselves good financial risks and who 'push' our products. This policy is forced upon us because druggists, generally speaking, are poor 'risks'."

(d) 90% to 95% through wholesalers.

Table 2

Do you distribute your products exclusively through whole-sale drug houses?



Company--Answer

Company--Answer

- | | |
|------------|-------------|
| (a) 1---No | 20---Yes |
| 2---Yes | 21---No |
| 3---No | 22---No |
| 4---Yes | 23---Yes |
| 5---Yes | 24---Yes |
| (b) 6---No | 25---Yes |
| 7---No | 26---No |
| 8---No | (c) 27---No |
| 9---No | 28---Yes |
| 10---Yes | 29---No |
| 11---No | 30---No |
| 12---No | 31---Yes |
| 13---Yes | 32---No |
| 14---Yes | 33---No |
| 15---No | (d) 34---No |
| 16---No | 35---No |
| 17---No | 36---No |
| 18---No | 37---Yes |
| 19---No | 38---No |

(a) This company has two lines---a biological one which is never stocked by wholesalers and a pharmaceutical one which is sold almost exclusively through wholesalers.

(b) "The bulk of our business is through wholesalers."

(c) "80% distribution through wholesalers--20% direct to retailers who have proved themselves good financial risks and who 'push' our products. This policy is forced upon us because druggists, generally speaking, are poor 'risks'."

(d) 90% to 95% through wholesalers.

Do you distribute your products exclusively through wholesale drug houses?

To this question thirteen of the thirty-eight companies, or 34.2%, replied "Yes". Four of the companies who answered in the negative commented, as is indicated on the accompanying table, to the effect that they followed a policy of selling their products through wholesalers to a fairly great extent. Company 6, for example, said that they did the bulk of their business through wholesalers, and Company 34 indicated that 90% to 95% of their business was done through wholesale drug houses.

The feasibility of manufacturing concerns selling through wholesalers was treated quite fully in the discussion following Table 1, and it seems hardly necessary to expand much here upon that which has already been said on the subject. At least two of the comments on the returned questionnaires are worthy of consideration, however, in that they present the reactions of two of the companies answering this question in the negative, as to the practicability of selling direct or through wholesale houses. Company 1 commented that they have two lines---a biological one which is never stocked by wholesalers, and a pharmaceutical one which is sold almost exclusively through wholesalers. This would seem to indicate that this manufacturer, at least, feels that biologicals can best be sold direct to the retailer, because of their perishability, no doubt, and that it is best to sell pharmaceutical products, for the most part, through wholesale houses. The comment of Company 27 brings up a quite different question. They stated, "80% of our distribution through whole-


salers--20% direct to retailers who have proved themselves good financial risks and who push our products. This policy is forced upon us because druggists, generally speaking, are poor 'risks'." From this we can gather that this concern prefers to sell through wholesalers because they wish to save themselves the trouble of collecting many accounts. It is quite difficult to believe that retail druggists, as a whole, are a class of deadbeats! The presumption that a comparatively few irresponsible dealers have given the profession a bad reputation in the eyes of Company 27 is much more encouraging. Notwithstanding this, as was suggested in the discussion following Table 1, it seems likely that the desire to save themselves the trouble of handling and collecting numerous retailer accounts has prompted many manufacturers to do a good share of their distributing through wholesalers.

We have already seen that 42.2% of the thirty-eight companies replied that they do not sell direct to retailers and Table 2 tells us that 34.2% sell exclusively through wholesale houses. It seems then that there is a difference of 8% between the number of those who do not sell direct and those who distribute their products exclusively through wholesalers. This 8% might consist of some of the companies who sell to physicians, dentists, hospitals, and veterinarians, and through physicians' supply houses as well.

Table 3

Do you have branch houses or supply depots?

Yes-23 60.6% 

No--15 39.4% 

Company--Answer

1---No
2---Yes
3---Yes
4---No
5---No
6---No
7---Yes
8---Yes
9---Yes
10---No
11---No
12---No
13---Yes
14---No
15---Yes
16---No
17---No
18---Yes
19---Yes

Company--Answer

20---Yes
21---Yes
22---Yes
23---No
24---Yes
(a) 25---Yes
26---Yes
27---No
28---Yes
29---Yes
30---Yes
31---Yes
32---Yes
33---Yes
(b) 34---No
35---Yes
36---Yes
37---No
38---No

(a) "On some products."

(b) "A warehouse on the Pacific Coast handles our shipments in that territory."

Do you have branch houses or supply depots?


The size of the manufacturing concern, the scope of its business, and its policy of distribution are, of course, the deciding factors as to whether or not it should maintain branch houses or supply depots. Twenty-three of the thirty-eight companies, or 60.6%, answered this question in the affirmative. This, of course, indicates that these concerns are doing business on a large scale and find it necessary to maintain branches and warehouses at strategic points around the country or in foreign countries to insure a better distribution of their products.

There are some manufacturers who maintain branch houses or supply depots for only those products in the greatest demand. Company 25 is one of these. Company 34 answered "No" to this question, but commented that it did have a warehouse on the Pacific Coast to handle its shipments in that territory.

It must not be construed that all of those manufacturers that gave a negative answer to this question do not do a large enough volume of business to warrant their maintaining branch houses or supply depots. Many of these might be doing a good share of their business through wholesale houses and may not then find it necessary to have branches or warehouses in different parts of the country, since they can use wholesale houses in much the same manner as they would warehouses. Of course, it is understood that a manufacturer might maintain branch houses or supply depots and still do a good share or all of his distributing through wholesale houses. Both might be used to good advantage, and no doubt are in many cases.

Table 4

Do you sell at retail?

Yes--4 10.5% 

No--34 89.5% 

Company--Answer

Company--Answer

- 1---No
- 2---No
- 3---No
- 4---No
- 5---No
- 6---No
- 7---No
- 8---No
- 9---No
- 10---No
- 11---No
- 12---Yes
- 13---No
- 14---No
- (a) 15---Yes
- 16---Yes
- 17---No
- 18---No
- 19---No

- 20---No
- 21---No
- 22---No
- 23---No
- 24---No
- 25---No
- (b) 26---Yes
- 27---No
- 28---No
- 29---No
- 30---No
- 31---No
- 32---No
- 33---No
- 34---No
- 35---No
- 36---No
- 37---No
- 38---No

(a) "Only through our retail pharmacy."

(b) "To physicians."

From the data presented, it may well conclude that the vast majority of pharmaceutical manufacturers feel that the retail drug-gist is in the best position to handle all retail sales, and they themselves prefer not to do any retail selling.

Do you sell at retail?

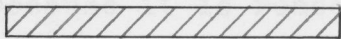

As is seen from the Table, only a very few (10.5%) of the thirty-eight companies sell their products at retail. The reason for this is quite apparent. Most retailers certainly look upon a manufacturer that does retail selling with disfavor, and these sales might better be handled entirely through the retail store. The number of orders at retail that the average manufacturing concern might get in a year's time certainly would not compare at all with the orders for goods at wholesale that it receives, and it would hardly pay a company to risk losing some of this wholesale business for the sake of a comparatively few retail sales. Then, too, most manufacturers do not wish to be bothered with retail sales. This class of orders is for merchandise in comparatively small quantities and is, in most instances, more of a bother than anything else as far as the manufacturer is concerned.

Two of the four companies answering "Yes" to this question added comments indicating that their retail sales were quite restricted. Company 15 stated that they operate a retail pharmacy and sold at retail only through this outlet. Company 26 said that they sold at retail to physicians only.

From the data presented, we may well conclude that the vast majority of pharmaceutical manufacturers feel that the retail druggist is in the best position to handle all retail sales, and they themselves prefer not to do any retail selling.

Table 5

Do you sell directly to physicians?

Yes-17	44.7%	
No--21	55.3%	

Company--Answer

- (a) 1---Yes
 2---No
 3---Yes
 (b) 4---Yes
 5---No
 6---No
 7---Yes
 8---No
 9---Yes
 10---No
 11---No
 12---Yes
 13---No
 14---No
 15---Yes
 16---Yes
 17---No
 (c) 18---Yes
 19---Yes

Company--Answer

- 20---No
 21---No
 22---No
 23---Yes
 24---No
 25---No
 26---Yes
 27---Yes
 28---No
 29---Yes
 30---No
 31---No
 32---Yes
 33---No
 (d) 34---Yes
 35---No
 36---Yes
 37---No
 38---No

(a) Only when the wholesaler will not sell direct to the dispensing physician. This covers principally the dispensing physicians who order gallon size packages.

(b) "As an accommodation only; we refer them to jobbers for future orders."

(c) Sales direct to physicians not encouraged.

(d) "When the product is not available locally."

Do you sell directly to physicians?

As far as the retail druggist is concerned this is a very important question because it is reasonable to assume that physicians who buy directly from pharmaceutical manufacturers do at least some of their own dispensing. Perhaps the percentage of manufacturers that sell to physicians might indicate, in some respect, the extent to which physicians dispense their own medication, although it is true that physicians might also make purchases through their supply houses. The table tells us that 44.7%, or a little less than half of the thirty-eight manufacturers, sell directly to physicians.

The comments of four of the companies answering this question in the affirmative were indicative of the attitudes they assume on the subject. Company 1 stated that they sell directly to physicians only when the wholesaler will not sell them, and that this covers principally the dispensing physicians who order gallon size packages. Company 4 said that they sell to physicians "as an accommodation only" and they refer them to jobbers for future orders. Company 18 commented that they do not encourage sales direct to physicians, and Company 34 stated that they sell to physicians only "when the product is not available locally."

The facts presented in Table 5 seem to indicate that the majority of pharmaceutical manufacturers try to cooperate as much as possible with the retail druggist by discouraging direct sales to physicians. This is probably because they feel that in so doing they are helping to discourage the physicians from doing their own dispensing. It goes without saying that the dispen-

single physician is a thorn in the flesh of the retail druggist, and since the retailer plays a very important part in the sale of a manufacturer's products, anything the manufacturer can do to help him might well be to the advantage of both. The table tells us, however, that there are still quite a number of companies (44.7% of those replying) that sell directly to physicians. This would indicate that these concerns feel that it is to their advantage to sell to physicians as well as to druggists.

- 1---No
- 2---Yes
- 3---No
- 4---No
- 5---No
- 6---No
- 7---Yes
- 8---No
- 9---No
- 10---No
- 11---No
- 12---Yes
- 13---No
- 14---No
- 15---Yes
- 16---Yes
- 17---No
- 18---No
- 19---Yes


- 23---Yes
- 24---No
- 25---No
- 26---Yes
- 27---No
- 28---No
- 29---No
- 30---No
- 31---No
- 32---No
- 33---No
- (b) 34---Yes
- 35---No
- 36---Yes
- 37---No
- 38---No

(a) "As an accommodation only; we refer them to jobbers for future orders."

(b) "When the product is not available locally."

Table 6

Do you sell directly to dentists?

Yes-11 28.9% No--27 71.1% Company--AnswerCompany--Answer

1---No	20---No
2---No	21---No
3---Yes	22---No
(a) 4---Yes	23---Yes
5---No	24---No
6---No	25---No
7---Yes	26---Yes
8---No	27---No
9---No	28---No
10---No	29---No
11---No	30---No
12---Yes	31---No
13---No	32---No
14---No	33---No
15---Yes	(b) 34---Yes
16---Yes	35---No
17---No	36---Yes
18---No	37---No
19---Yes	38---No

(a) "As an accommodation only; we refer them to jobbers for future orders."

(b) "When the product is not available locally."

Do you sell directly to dentists?

The discussion following Table 5 is applicable to this question as well. Although dispensing dentists are not nearly as important a problem to the druggist as are dispensing physicians, if a dentist dispenses a great deal of his own medication and buys his pharmaceutical supplies directly from the manufacturer when he could be buying them through a drug store, an important bit of business is lost to the retail pharmacist.



Eleven of the thirty-eight companies, or 28.9%, answered this question "Yes". This is considerably smaller than the percentage that said that they sold directly to physicians (44.7%). This does not, however, necessarily indicate that any of the companies that sell to physicians refuse to sell to dentists, as many of these companies selling to physicians might not manufacture products in demand by dentists.

As the Table shows, Company 4 replied that they sell to dentists "as an accommodation only" and they refer them to jobbers for future orders. Company 34 commented that they sell to dentists only "when the product is not available locally." Incidentally, these same companies commented in a like manner to the previous question, as is shown on Table 5.

We might conclude here, also, that the majority of pharmaceutical manufacturers prefer to have dentists buy through the retail drug store and jobber rather than from them directly.

Table 7

Do you sell directly to hospitals?

Yes-31	81.6%	
No---7	18.4%	

Company--Answer

- 1---No
 2---No
 3---Yes
 (a) 4---Yes
 5---Yes
 6---No
 7---Yes
 (b) 8---Yes
 9---Yes
 10---No
 (c) 11---Yes
 12---Yes
 13---No
 14---Yes
 15---Yes
 16---Yes
 17---Yes
 18---Yes
 19---Yes

Company--Answer

- 20---No
 21---Yes
 22---No
 23---Yes
 (d) 24---Yes
 25---Yes
 26---Yes
 27---Yes
 28---Yes
 29---Yes
 30---Yes
 31---Yes
 32---Yes
 33---Yes
 (e) 34---Yes
 35---Yes
 36---Yes
 37---Yes
 38---Yes

(a) "As an accommodation only; we refer them to jobbers for future orders."

(b) "Some items."

(c) "As an accommodation."

(d) "Owing to trade reasons in some areas, but not in others."

(e) "When the product is not available locally."

Do you sell directly to hospitals?

As Table 7 shows, thirty-one of the thirty-eight companies, or 81.6%, sell directly to hospitals. This question, although interesting, is not especially important to those engaged in retail pharmacy, although it is true that hospitals in many localities buy a good deal of their pharmaceuticals through local drug stores. The average druggist, however, seems quite content that hospitals (particularly large ones) should buy from the manufacturer. Many hospitals at present maintain their own pharmacies, in charge of registered pharmacists, and they buy from the manufacturer on the same basis as any retail pharmacy, as a rule.

The pharmaceutical manufacturer, on this question, is "between two fires", so to speak. He must not overlook the fact that many retail pharmacists and also jobbers do a large volume of business with hospitals and naturally resent losing any of this. On the other hand, he must consider that hospitals use a great deal of medicaments, and it is, in most cases, perhaps, more convenient for them to order in large quantities direct from the manufacturer.

The Table would indicate that the great majority of companies do sell directly to hospitals, yet many of them do not lose insight of the fact that they must also try to please the retail druggist and also the jobber who seek to do business with hospitals. This is evidenced by some of the comments on the Table. Company 4 commented that they sell to hospitals as an accommodation only and refer them to jobbers for future orders. Company 8 said they sold "some items" to hospitals. Company 11 sells to hospitals "as an accommodation"; Company 24, "owing to

trade reasons in some areas, but not in others"; and Company 34, "when the product is not available locally." It is interesting to note that Companies 4 and 34 made the same comments on Tables 5 and 6.

COMPANY--AUSTEX

- 1---No
- 2---No
- 3---Yes
- (a) 4---Yes
- 5---No
- 6---No
- 7---Yes
- (b) 8---Yes
- 9---Yes
- 10---No
- (c) 11---Yes
- 12---Yes
- 13---No
- 14---Yes
- 15---No
- 16---Yes
- 17---No
- 18---Yes
- 19---Yes

COMPANY--AUSTEX

- 20---No
- 21---No
- 22---No
- 23---Yes
- 24---No
- 25---No
- 26---Yes
- 27---Yes
- 28---No
- 29---Yes
- 30---No
- 31---No
- 32---Yes
- 33---Yes
- 34---No
- 35---No
- 36---No
- 37---No
- 38---No

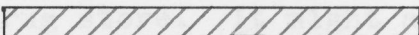
(a) "Is an accommodation only; we refer them to jobbers for future orders."

(b) "Some items, occasionally."

(c) "In a rather large way."

Do you sell direct to veterinarians? Table 8

Do you sell directly to veterinarians?

Yes-17 44.7% No--21 55.3% Company--Answer

- 1---No
 2---No
 3---Yes
 (a) 4---Yes
 5---No
 6---No
 7---Yes
 (b) 8---Yes
 9---Yes
 10---No
 (c) 11---Yes
 12---Yes
 13---No
 14---Yes
 15---No
 16---Yes
 17---No
 18---Yes
 19---Yes

Company--Answer

- 20---No
 21---No
 22---No
 23---Yes
 24---No
 25---No
 26---Yes
 27---Yes
 28---No
 29---Yes
 30---No
 31---No
 32---Yes
 33---Yes
 34---No
 35---No
 36---No
 37---No
 38---No

(a) "As an accommodation only; we refer them to jobbers for future orders."

(b) "Some items, occasionally."

(c) "In a rather large way."

Do you sell directly to veterinarians?

This question is of practical interest to druggists in rural areas where a good deal of veterinary remedies are regularly purchased through the drug store. It might also be of no little interest to the jobber. Table 8 reveals that seventeen of the thirty-eight pharmaceutical manufacturers, or 44.7%, do sell directly to veterinarians.

Here, again, the discussion following Table 5 relative to those companies selling to physicians might be appropriate. Any druggist who does business with veterinarians welcomes their prescriptions and orders as readily as any other business he receives. He is interested in knowing the extent to which veterinarians do their own dispensing, and there might be a close relationship between this and the percentage of manufacturers who sell directly to these people. It would seem from a comparison of Tables 5 and 8 that pharmaceutical manufacturers take about the same attitude in selling to physicians as they do in selling to veterinarians, for exactly the same percentage of our thirty-eight companies sell to physicians as to veterinarians. It is more or less of a coincidence that the number of companies selling to these two classes of trade is exactly the same, since it is seen from a comparison of the tables that the answers of the individual companies were not exactly the same in all cases. Nevertheless, a remarkably close agreement exists between the data of the two tables, and we may feel reasonably safe in concluding that approximately the same percentage of pharmaceutical manufacturers sell directly to veterinarians as to physicians.

Three of the companies commented further, as the Table shows. Company 4 made the same comment as it did to questions 5, 6, and 7, stating that they sell to veterinarians "as an accommodation only", and they refer them to jobbers for future orders; Company 8 sells veterinarians "Some items, occasionally"; and Company 11 sells to veterinarians "in a rather large way."

- 2---No
- 3---Yes
- 4---Yes
- 5---No
- (b)6---Yes
- 7---Yes
- 8---Yes
- 9---Yes
- 10---No
- 11---No
- 12---Yes
- 13---No
- 14---Yes
- 15---Yes
- 16---Yes
- 17---No
- 18---Yes
- 19---Yes

- (c)20---No
- 21---Yes
- 22---No
- 23---Yes
- 24---Yes
- 25---No
- 26---Yes
- 27---Yes
- 28---Yes
- 29---No
- 30---Yes
- 31---Yes
- 32---Yes
- 33---Yes
- 34---Yes
- 35---Yes
- 36---Yes
- 37---Yes
- 38---Yes

(a) "Our biological line is sold through physicians' supply houses, but not our pharmaceutical line."


(b) "To carefully selected ones."

(c) "A physicians' supply house operating a prescription department buys through the wholesaler on the same basis and at the same discounts as any other retail druggist."

Table 9

Do you sell to physicians' supply houses?

Yes-28 73.6% 

No--10 26.4% 

Company--Answer

(a)1---Yes

2---No

3---Yes

4---Yes

5---No

(b)6---Yes

7---Yes

8---Yes

9---Yes

10---No

11---No

12---Yes

13---No

14---Yes

15---Yes

16---Yes

17---No

18---Yes

19---Yes

Company--Answer

(c)20---No

21---Yes

22---No

23---Yes

24---Yes

25---No

26---Yes

27---Yes

28---Yes

29---No

30---Yes

31---Yes

32---Yes

33---Yes

34---Yes

35---Yes

36---Yes

37---Yes

38---Yes

(a)"Our biological line is sold through physicians' supply houses, but not our pharmaceutical line."

(b)"To carefully selected ones."

(c)"A physicians' supply house operating a prescription department buys through the wholesaler on the same basis and at the same discounts as any other retail druggist."

Do you sell to physicians' supply houses?

This question is perhaps equally as interesting to the retail pharmacist as question 5, Do you sell directly to physicians? Twenty-eight of the thirty-eight companies, or 73.6%, answered in the affirmative, as compared with 44.7% who answered "Yes" to the question of selling to physicians. This seems to indicate that pharmaceutical manufacturers do not hesitate nearly as much in selling to physicians' supply houses as they do in selling directly to physicians. As far as the pharmacist is concerned, it seems just as serious for a manufacturer to sell to a physicians' supply house as to the physician himself, as the important thing is that the physician gets the pharmaceuticals either way.

Many of the pharmaceutical companies apparently feel that it is practically a necessity for them to sell to physicians' supply houses and even though a large majority of them do so, it does not follow that in so doing they are encouraging physicians to dispense their own medicaments. It merely indicates that they are acceding to the demands of the medical profession. Retail pharmacists realize that a physician often prefers to buy drugs for his office practice from his supply house rather than from a drug store and they are not at all concerned when a physician makes such purchases. When a physician buys medicaments in large quantities with the intention of dispensing them, however, it certainly does concern the druggist, for the dispensing of medication is his profession. We can not overlook the fact that physicians' supply houses do offer a means for the dispensing physician to buy medicaments at wholesale, although it may not be the intention

of the manufacturing concern selling to the physicians' supply house to encourage self dispensing by physicians.

Three of the companies made comments that may be of some interest. Company 1 stated, "Our biological line is sold through physicians' supply houses, but not our pharmaceutical line (This company commented on question 2 that it had two lines-- a biological one which is never stocked by wholesalers and a pharmaceutical line which is sold almost exclusively through wholesale drug houses.).. Company 6 said that they sell to "carefully selected" physicians' supply houses, and Company 20 stated that they do not sell directly to physicians' supply houses, but that a physicians' supply house operating a prescription department buys through the wholesale druggist on the same basis and at the same discounts as any other retail druggist. (This latter company sells its products exclusively through wholesalers as was indicated on Table 2)

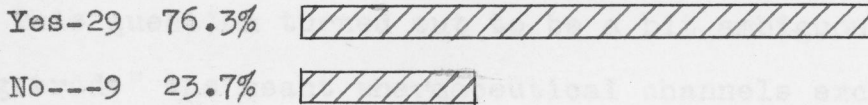
(2) Also supply agriculture and other industries.

(b) "It is our policy to market our products exclusively through the drug trade. However, if a physician desires to make a purchase directly from us, we will sell him, but there are very few who have occasion to do so."

(c) "Our products are strictly ethical and are prepared for the medical profession for prescription and office-practice use."

Table 10

Is it your policy to market your products exclusively through the drug trade?



Company--Answer

- 1---Yes
- 2---Yes
- 3---Yes
- 4---Yes
- 5---Yes
- 6---Yes
- 7---No
- 8---No
- 9---Yes
- 10---Yes
- 11---Yes
- 12---No
- 13---Yes
- (a)14---No
- 15---Yes
- 16---No
- 17---No
- (b)18---Yes
- 19---Yes

Company--Answer

- 20---Yes
- 21---Yes
- 22---Yes
- 23---Yes
- 24---Yes
- 25---No
- 26---Yes
- 27---Yes
- 28---Yes
- 29---Yes
- 30---Yes
- 31---Yes
- (c)32---Yes
- 33---Yes
- 34---Yes
- 35---Yes
- 36---No
- 37---Yes
- 38---No

(a)Also supply agriculture and other industries.

(b)"It is our policy to market our products exclusively through the drug trade. However, if a physician desires to make a purchase directly from us, we will sell him, but there are very few who have occasion to do so."

(c)"Our products are strictly ethical and are promoted to the medical profession for prescription and office-practice use."

Is it your policy to market your products exclusively through the drug trade?

This question turned out to be a bit ambiguous. By the term "drug trade" was meant pharmaceutical channels exclusively. Many of those answering, however, apparently understood it as comprising both the pharmaceutical and medical professions, because some of the companies answered "Yes" to question 5 (Do you sell to physicians?) as well as to this question. So, for the purpose of clarity, we may interpret this as meaning that those answering "Yes" sell exclusively through the pharmaceutical and medical professions, and those answering "No" sell to other fields, as well.

Table 10 shows that twenty-nine of the thirty-eight companies, or 76.3%, answered in the affirmative. This indicates that the great majority of the companies believe in selling exclusively through the pharmaceutical and medical professions.

Company 14 answered this question "No", stating that they also supply agricultural and other industries. This, incidentally, is in line with the foregoing presumption that those replying negatively do sell to other fields as well as to the pharmaceutical and medical professions. Company 18, answering "Yes", commented, "It is our policy to market our products exclusively through the drug trade. However, if a physician desires to make a purchase directly from us, we will sell him, but there are very few who have occasion to do so." This indicates that Company 18 sells almost exclusively through the pharmaceutical profession. Company 32, answering "Yes", said, "Our products are strictly ethical

and are promoted to the medical profession for prescription and office-practice use." We may presume from this that Company 32 sells its products exclusively through the "drug trade" as this term was defined previously.

	Yes	No
1. Do you distribute your products exclusively through wholesalers drug houses?	57.8%	42.2%
2. Do you have branch houses or supply depots?	34.2%	65.8%
3. Do you sell at retail?	60.6%	39.4%
4. Do you sell directly to physicians?	10.5%	89.5%
5. Do you sell directly to	44.7%	55.3%
to dentists?	28.9%	71.1%
to hospitals?	81.6%	18.4%
to veterinarians?	44.7%	55.3%
6. Do you sell to physicians' supply houses?	73.8%	26.2%
7. Is it your policy to market your products exclusively through the drug trade?	76.3%	23.7%

Table 11

	Yes	No
1. Do you sell direct to retailers?	57.8%	42.2%
2. Do you distribute your products exclusively through wholesale drug houses?	34.2%	65.8%
3. Do you have branch houses or supply depots?	60.6%	39.4%
4. Do you sell at retail?	10.5%	89.5%
5. Do you sell directly to physicians?	44.7%	55.3%
to dentists?	28.9%	71.1%
to hospitals?	81.6%	18.4%
to veterinarians?	44.7%	55.3%
6. Do you sell to physicians' supply houses?	73.6%	26.4%
7. Is it your policy to market your products exclusively through the drug trade?	76.3%	23.7%

Summary

Table 11 is a condensed summary of the data presented in Tables 1-10. It is an exact copy of the questionnaire sent to the pharmaceutical manufacturers and shows the percentage of the thirty-eight companies replying "Yes" and "No" to each question.

As was stated in the introduction, the purpose of this survey was to satisfy a feeling of interest as to what percentage of the better-known drug manufacturers are distributing their products entirely through wholesalers, which ones sell to physicians, hospitals, dentists, and veterinarians, and how many are pursuing a strict policy of marketing exclusively through the drug trade. A glance at Table 11 will show how the thirty-eight concerns who returned the questionnaires reacted to all of these questions.

It was further suggested in the introduction that since these thirty-eight companies are among the leading, nationally-known concerns, they are without doubt representative of the attitudes pharmaceutical manufacturers in general take on these subjects. Therefore, when we see from Table 11 that 57.8% of the concerns sell direct to retailers and that 34.2% distribute their products exclusively through wholesale drug houses, it seems that we can safely assume that these percentages are approximately as true for the whole as they are for our thirty-eight companies.

A brief study of the facts presented in Table 11 tells us that a majority of pharmaceutical manufacturers do sell direct to retailers and do not follow a policy of distributing their products exclusively through wholesale drug houses. A majority of

them maintain branch houses or supply depots; only a small percentage of them sell at retail. Only a little less than half of the companies sell directly to physicians and veterinarians; not quite three-tenths of them sell to dentists; a large majority sell directly to hospitals and to physicians' supply houses; and most of them follow a policy of marketing their products exclusively through the "drug trade".

A striking aspect of these facts is the pronounced influence that retail druggists have in determining the sales policies of drug manufacturers. The replies to the questions and comments tabulated on the foregoing pages seem to indicate that these companies consider the reaction of retailers to a large extent. For example, less than half will sell directly to physicians and 23.5% of those that do sell to physicians (4 of 17 companies) indicated that they discourage these sales as much as possible. This influence is also shown in the questions of selling to dentists, veterinarians, and even to hospitals, as well as in the question of selling to physicians' supply houses and in the question relative to marketing exclusively through the "drug trade".

In conclusion, it might be said that the survey indicates that pharmaceutical manufacturers are "between two fires" when it comes to selling their products. They have to adopt a sales policy that will please not only the pharmaceutical profession, but the other classes of trade also. It goes without saying that this is difficult to do. The survey indicates that the majority of companies regard the retail druggist as most important in selling their products and try to please him as much as possible by

adopting policies of distribution favorable to him and at the same time make it possible for the other classes of trade to procure their products as well.

A. Hill

Director, Board of Education

Jan 21 1910

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Date *June 31 1940*