

A STUDY OF THE UNITED DRUG COMPANY

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CHAPTER I

INTRODUCTION

CONDITIONS IN AMERICAN PHARMACY PRIOR TO 1902

The conditions confronting American pharmacy were probably never worse than during the closing years of the nineteenth century when one of the greatest difficulties lay in the adjustment of relationships between retail and manufacturing interests. Pharmaceutical organizations, it is true, had been formed in most of the states and in some cities local organizations had been effected, but there was no strong central association capable of protecting the commercial interests of the retail trade.

This was the situation when early in 1898, during the Spanish-American War, Congress passed a bill, which became effective on July 1, placing a special tax on medicines. The burden of this measure was probably intended to fall upon manufacturer and pharmacist alike. It resulted, however, in the unorganized pharmacists' paying the special tax alone. Associations of manufacturers and wholesalers at once united for mutual protection, and retail pharmacists being unorganized and unprotected were made responsible for payment of the tax. This action served as the stimulus necessary to bring about associations for the protection of the retail trade.

The Chicago Retail Druggists Association on August 11, 1898 issued a call to retail druggists throughout the country to send delegates from local and state organizations to a meeting in

(1)
 St. Louis, on October 17. Delegates from six states were present--Connecticut, New York, Maryland, Pennsylvania, Illinois and Missouri--while a total of 105 retail druggists voted in this meeting as representatives of pharmaceutical organizations in twenty states.

The new organization, The National Association of Retail Druggists, was established to promote the commercial interests of the retail drug trade. In addition to opposing the continuance of the special war tax on medicines, one of the first moves of the meeting was to start a united fight on the evil of price-cutting. The resolution committee recommended the adoption of resolutions defining the functions of jobbers on the one hand and of retail druggists on the other, and asking the executive committee to confer with representatives of the National Wholesale Druggists Association and the Proprietary Association of America asking the appointment of a committee by each to confer with a similar committee from the N.A.R.D. upon the subject of the maintenance of full retail prices. (2)

Plans were also recommended to the members for meeting the most serious problems confronting retail pharmacists. These plans were known as the "Sourwine Plan", or the "Manufacturers' National Guaranty Label", and the "Rebate Plan". A committee was also named to request the committee on national legislation to use their best efforts to induce Congress to alter and amend Section 20, "An act to provide ways and

(1) Meyer Brothers Druggist, Vol.XIX, (1898) p.381

(2) Ibid.

means to meet war expenditures", and asking exemptions for certain types of druggist products. (3)

The work thus started had continued three years and was only beginning to show results in bettering the conditions of retail pharmacists, when another movement, not of general cooperation for the benefit of the entire retail trade, but of group cooperation for the benefit of the retail pharmacists participating, was launched. It is with the growth of this movement from a comparatively small cooperative manufacturing and retail effort to an enormous organization reaching to many parts of the English-speaking world and embracing every phase of commercial pharmacy that this paper is concerned.

(3) Meyer Brothers Druggist, Vol.XIX, (1898) p.381

CHAPTER II

FORMATION OF THE UNITED DRUG COMPANY
AND ADDITION OF NEW DEPARTMENTS

Louis K. Liggett, a traveling salesman for Chester Kent & Co., makers of "Vinol", a proprietary medicine, had observed what he considered to be evil influences which, instead of building up, were destroying cooperation between manufacturing and retail druggists. In September, 1902, at the annual convention of "Vinol" agents in Boston, the young salesman told thirty-nine retail druggists, gathered from over the country, of his observations of three evils in the drug trade: (1)

1. A tendency of manufacturers to force retail druggists to overstock;
2. Substitution by the dealers of their own preparations for those of proprietary companies;
3. A failure to maintain the manufacturer's indicated resale price.

Acting upon the young Liggett's plan to combat these evils, the forty men present advanced \$4,000 each, and as the original forty stockholders established the United Drug Company. Shortly afterward, a committee meeting at Chicago, formulated resolutions to the effect that: (2)

1. The Company was to manufacture only for stockholders.
2. There was to be only one stockholder in each town.
3. The Company was to make and market at the outset at least one hundred remedies, all of which were to be sold under a single blanket trade-mark.
4. Six of the one hundred remedies were to be advertised extensively in season.

(1) Hayward, Walter S., and White, Percival, Chain Stores,
(New York. 1928) P.505

(2) Ibid.

5. The first lines to be advertised were to be dyspepsia and catarrh medicines.
6. All of the products, except the advertised remedies, were to be sold to the stockholders at such prices as would net the corporation not more than twenty-five per cent on its gross selling price.
7. Each preferred stockholder was to purchase as much stock in the Company as the cost of the first year's advertising in his city.
8. Control of the Company was to be in the hands of the druggist-agents themselves.
9. As long as a stockholder owned common stock in the United Drug Co. he was to be a perpetual agent.

The United Drug Co. (of New Jersey) started manufacturing operations in a small plant, formerly a thread factory, at 43 Leon St., Boston, on Jan. 1, 1903. The plant occupied 30,000 square feet of rented floor space, and in all there were twelve employees. On March 14, 1903, production was in full swing, and the first order, which amounted to \$1,625.35, was shipped to the William Sauter Co., Albany, N. Y.

The slogan of the United Drug Co. was chosen as "All for One, One for All", and carrying out the spirit of this slogan the new Company's trade-mark was announced in a special advertising campaign. "Rexall", the new trade-mark, came to the public in full-page newspaper advertisements carrying only the single letter "R" the first day, "Re" the second day, and adding another letter each succeeding day until the word "Rexall" appeared. This sensational publicity stunt followed by consistent local advertising over the agent's firm name determined its readers to investigate the new "Rexall" products.

Results of intensive promotion in sales of the new medicinal preparations were apparent within five months from the beginning of

manufacturing operations. In May, 1903, the Company had in its employ daily some 150 people. In those few months, efforts to increase the distribution of products through additional exclusive agents had extended the Rexall line to 250 stockholder-druggists. The first individual shipment of a carload of United Drug Co. products was made in February, 1904, to the H. J. Huder Drug Co., Indianapolis. On the second anniversary of shipment of the first bill of own goods, March 14, 1905, the Company's daily sales totaled \$10,014.14 -- six times more than on that first day. Continuing its expansion in distribution the United Drug Co. fifteen months after the first day of sales had increased the number of its stockholder-agents 1500% to a total of six hundred.

The plan of the founders of the United Drug Co. in 1902, was to manufacture only medicinal preparations for the stockholder-agents. Within a few months after starting operations the Company offered Rexall druggists more than one hundred products, all of which were medicines. The enthusiastic support of the Rexall druggists combined with the extensive local advertising by the Company acquainted people with these medicines, and soon the agents began to ask that more lines be included. Only then were new lines produced under the Company's exclusive trade-mark.

In answer to the demands for more exclusive products, the United Drug Co. in 1905 established a toilet goods department. This first new department consisted of four people and its operations required 6,000 square feet of space. With increasing business from exclusive toilet lines, the department grew until in 1919 it occupied four floors with 25,000 square feet. This space comprised

the old thread factory which originally had housed the entire operations of the United Drug Co. Two years later, the rapidly growing toilet goods department needed more manufacturing space and equipment. The new quarters covered an area of 60,000 square feet, and the production of toilet goods was increased to 12,000,000 packages a year. Following the successful operation of the St. Louis plant built in 1920, and in answer to the increasing demands of the western territory, the Company established a branch of the toilet goods department in St. Louis in 1925. Toilet goods are manufactured there to aid the Boston plant and to supply the St. Louis and Chicago distributing branches. Production in the St. Louis department during 1928 exceeded 3,000,000 packages, which brought the total production by the Company to 15,000,000 pieces of toilet goods for the year. The toilet goods department is among the largest in the world, and, in 1927 it ranked as the largest department of the United Drug Co. (3)

At the second annual convention of the stockholder-agents in Boston, in September, 1905, announcement was made of the organization of a subsidiary, the National Cigar Stands Co. This first subsidiary, incorporated July 20, 1905 in New Jersey, contracted for great quantities of tobacco products, and thus enabled the Rexall druggists to buy them at better prices. The company was re-incorporated March 18, 1914, in Mass. to deal in cigars, cigarettes and smokers' articles of every kind. At that time its operations were confined entirely to drug stores. In addition to whole-

(3) Drug Markets, "United Drug Co. Founded 25 Years Ago", Vol. XXII, Feb., 1928. P.122

selling tobacco products, the Company in 1914 had leased stands in about 4,500 drug stores located in forty-six states, and had branch offices in Chicago and Memphis.⁽⁴⁾

The United Drug Co. opened a second factory, known as laboratory no. 2, in Boston on Feb. 6, 1906. One hundred and fifty Rexall druggists attended the formal opening of this second plant, which gave 20,000 additional feet of manufacturing space. Continuing its steady expansion, a third addition to the original plant in Boston was started in April, 1906. Pictures showing the progress on enlargement of the plant were sent to all stockholders. The cost of the new power plant was considered a great sum at \$30,000. At the same time additional land was purchased in the rear of the original plant in order to build the first spur track for car-lot shipments of freight directly from the factory.

In 1905, a small candy department was added to the toilet goods and medicine divisions of manufacture. The demand on the production of the candy department increased steadily as from time to time exclusive packages were added to the line. During 1906, the department offering "Saturday Candy" to retail at twenty-nine cents per pound sold more than \$127,000 worth of this one controlled item. Following a very good business during the fall of 1910, the candy department was oversold on Dec. 1, and the Company was forced to deny all orders for Christmas candy. Immediately contracts were made for a new candy plant to be erected in the north part of Boston. The new Liggett candy factory -- eight stories with 100,000 square feet of floor area and requiring 600 employees -- was expected to

(4) Moody's Manual, Ind. & Pub. Util. Sec., 1914, P.697

be sufficiently large to meet the demands for many years.

Increasing business during 1905 from Rexall druggists in the middle west necessitated the establishment of a branch warehouse in Chicago. This first distributing branch of the United Drug Co. started operations on Feb. 28, 1906, at 45-47 Randolph St., Chicago, with a large stock from which to supply Rexall products more quickly to the western agents.

The entire country in November, 1907, was in the grip of a financial panic. Depression struck into every kind of business activity, yet the business of the United Drug Co. continued to prosper. In the midst of the general business depression, the Company had to enlarge its western distributing branch. On April 8, 1908, the new warehouse was opened at 65-67 S. Water St., Chicago, with greatly increased facilities to take care of the steadily growing demands of the western territory. The stockholder-agents in the middle west had given the Chicago branch between \$40,000 and \$50,000 in orders for several months; whereas two years previously, when the Chicago warehouse opened, its sale of controlled goods amounted to only \$8,000 a month.

Forced by the constant increase in production, which had already put an especially heavy demand on the manufacturing departments, the Company decided to build again in Boston. On May 5, 1909, a fourth addition, two-thirds as large as the original plant, was started. The new addition, which would make room for 1,000 employees, was financed entirely out of the surplus built up by the seven-year old company. When completed, the value of the plant in Boston, including the land, buildings and equipment, was considerably in excess of

\$500,000.

In the enlarged plant of the United Drug Co. there was no equipment for making soda fountain syrups and supplies. Deciding to add a fountain-supplies department the United Drug Co. acquired the F. L. Daggett Co., already established in this line. Thereafter the Daggett Company manufactured soda fountain supplies and certain food products, such as cocoa, chocolate and bouillon cubes, for the Rexall stores.

The United Drug Co. (of Mass.) was incorporated in Massachusetts, January, 1911, and acquired nearly all of the capital stock of the United Drug Co. (of New Jersey). The old company, which had owned and operated the manufacturing plants in Boston, was to be dissolved eventually. The plants were located in the northern and Roxbury districts of Boston, where the Company manufactured proprietary medicines, toilet articles and candies. A distributing branch was also maintained in Chicago. Statements published in 1913 said of the United Drug Co: "The manufacturing and distributing interests of the company are very large, the whole plant system comprising about 20 acres of floor space. Its plants in Boston alone occupy a total floor area of about 600,000 square feet."⁽⁵⁾

At this time Rexall druggists were selling their own exclusive lines of medicines, perfumes and toilet articles, and candy. Next the Company planned to manufacture its own stationery. In May, 1911, arrangements for the new department were completed, and construction was started on another addition to the original plant in Boston. Rexall druggists received their first controlled stationery in Nov-

(5) Moody's Manual, Railroad and Corporation Securities, 1913,
P.1676

ember, 1911. As the stationery business developed there arose the need for more manufacturing space, so the United Writing Paper Co. was formed. The United Drug Co. then purchased two established stationery plants, which continue to operate for it under the supervision of the stationery department. Marcus Ward, Inc. manufactures only writing paper at its factory on Long Island, while the Sherman Envelope Co. supplies its paper products from a large plant in Worcester, Mass.

Continuing to develop its manufacturing operations, the United Drug Co. established a rubber goods department in 1912. The demands on this department increased rapidly, and it was soon found necessary to have more complete equipment for the manufacture of rubber goods. On April 10, 1917, at a sale approved by the U. S. District Court, the United Drug Co. acquired the plant of the Seamless Rubber Co. in New Haven. (6) This company, incorporated March 20, 1877, in Connecticut, was one of the largest rubber goods manufacturers in the country. In addition to the factory located at New Haven, it owned the entire capital stock of the Seamless Rubber Co. of New York with branches in Chicago and Toronto. Upon the acquisition of this company, the United Drug Co. then organized the Seamless Rubber Co., Inc. in Massachusetts, June 1, 1917. From the rubber goods department, established in 1912, has developed the hospital department. All the rubber goods required by the 10,000 Rexall and Liggett stores are now supplied from a large factory in New Haven, Connecticut, the largest rubber sundries plant in the world. This factory

(6) Moody's Manual, Industrials, 1918, P.1700

which replaced the New Haven plant of the original Seamless Rubber Co., employed some 1,500 people and had an output of more than (7) \$7,500,000 worth of druggists' rubber sundries in 1927.

The hospital department was created to meet the need for hospital and sick-room supplies. In order to supply this department following the increased demands for cotton products, the Absorbent Cotton Co., of America was formed. A plant was erected in 1920 at Valley Park, Missouri, near St. Louis, where the Company manufactures various cotton hospital products.

Another department was added in 1913, when the United Drug Co. acquired the importing business of Deitsch Bros., manufacturers and importers of brushes. Later the property and trade-marks of the Deitsch Company were purchased. With these the United Drug Co. formed the basis of a brush department, which in 1920 was included in the new sundries department. (8)

Rexall druggists from the first had looked forward to the time when their own laboratories would be making pharmaceutical preparations, and this desire was realized when a pharmaceutical department was announced in 1912. The responsibility of creating and organizing the pharmaceutical department was entrusted to Dr. E. S. Barker, a graduate of the University of Illinois medical school. Following business associations with Lehn & Fink, Frederick Stearns & Co. and Searle & Hereth, Dr. Barker went to the United Drug Co. in 1909 as censor of medical literature and manager of the Ballardvale Springs

(7) Drug Markets, Feb., 1928, Vol. XXII, P. 123

(8) Ibid.

Co. Under his experienced guidance the pharmaceutical department from the beginning prepared a high quality of pharmaceuticals. The first preparations were assayed tinctures and fluidextracts.

The pharmaceutical department, which started production in 1913, grew steadily until in 1926 its output exceeded 500,000 gallons. The total production of various ointments during that year was 300,000 pounds, an average of 1,000 pounds per working day. Approximately 2,500,000 gallons of trailer items were produced by the Company during 1926. A drugs and chemicals department, whose products are known by the "Pure-test" trademark, was established in 1919, and by 1926, the production in that one line reached a total of well over 25 million packages. The manufacture of pills and tablets during the last few years increased to over six hundred and thirty million a year. Twenty-four inspection operations are required from the receipt of raw material to the delivery of the finished product, which in 1928 exceeded 60 million packages. (9)

Closely allied with the work of the laboratories is that of the formula committee and the research and analytical department. The former serves as a planning board to devise and control all formulas. The latter department analyzes and inspects raw materials, finished products and warehouse stocks; investigates complaints; and conducts original research and investigation. A technical conference meets annually. The personnel of the 1927 conference was: C. G. Duggan, chief chemist, St. Louis; N. C. Earl, director of laboratories, Boston; Prof. G. A. Evans, chief chemist, Toronto; C. O. Ewing, assistant chief chemist, Boston; F. J. Hailer, purchas-

ing staff, Liggett Co., New York; A. B. Kent, chief pharmacist, Liggett Co., New York; Dr. J. L. Mayer, chief chemist, Liggett Co.; E. C. Merrill, chief chemist, United Drug Co., Boston; Dr. J. F. Morrison, chairman, of the formula committee, Boston.

Continuing its expansion the United Drug Co. entered new lines of manufacturing in order to supply the Rexall and Liggett stores with new exclusive products. To meet the need for a controlled brand of grape juice, a plant was purchased in Highland, N. Y., in the midst of New York's great vineyards. Later, the Company formed the Hudson Valley Pure Food Co., and today offers its stores a variety of food products -- coffee, tea, cocoa, spices, jams, and peanut butter. In order to add to its facilities for the manufacture of candy and allied products, the United Drug Co. acquired Chocolate Refiners, Inc. This subsidiary company makes chocolate powders and syrups in a six-story factory in Mansfield, Mass.

Its business increasing constantly, the Company in 1911 found it necessary to give quicker service to the growing number of Rexall druggists in the south and south-central west. On May 9, 1911 the second distributing branch outside Boston was established at 16th and Pine St. in St. Louis. This branch supplied a real need, because the territory which the Chicago branch was attempting to supply had become too great for it to give adequate and quick service.

Expansion of exclusive agencies on the Pacific Coast brought about the establishment of a far western distribution point in San Francisco. When the Rexall agencies held by the Owl drug stores in California were withdrawn in 1920, the United Drug Company's retail subsidiary with stocks from the San Francisco distributing branch

was able to open Liggett stores at once in Pacific Coast cities. The San Francisco branch has no manufacturing facilities. In so far as time permits, goods are shipped to the Pacific Coast warehouse from the Boston plants by water.

In order to secure property necessary for expansion of the United Drug Company's branch in St. Louis, a real estate organization was formed on July 28, 1919. The United Drug Building Co., incorporated in Missouri, bought three tracts of land in west St. Louis, where new buildings for the St. Louis branch house were constructed. On the fifteen acre tract were completed in August, 1920, four buildings with about 12 acres of floor space. The entire property was leased to the United Drug Co. by an irrevocable lease for twenty years, ending Aug. 14, 1939, at an annual rental of \$192,500.⁽¹⁰⁾ During the fourteenth annual Rexall convention in September, 1920, the new St. Louis plant was formally opened. More than 3,000 Rexall druggists from England, Scotland, Ireland, Canada, and over the United States attended the convention.

The St. Louis branch, formerly only a distributing point, is now the largest drug plant in the world. In 1927, the Southwestern plant, as it is called, employed 1,300 people and consisted of three complete departments -- medicine, candy, and toilet goods. It operates its own printing shop and makes all of the cartons and boxes required. In 1927, in addition to the cartons and boxes, the plant produced over 6,000,000 packages of toilet goods, 7,500,000 pounds⁽¹¹⁾ of candy, and more than 18,000,000 packages of laboratory products.

(10) Moody's, Industrials, 1928, P.2416

(11) Drug Markets, Vol. XXII, (Feb., 1928) P.122

CHAPTER III

METHODS USED IN PROMOTING COOPERATION
OF THE REXALL AGENTS

Development of cooperation between the United Drug Co. and its stockholder-agents the officials of the new company realized was one of their first great responsibilities. The president, Louis K. Liggett, who had conceived the idea of the United Drug Co., based the very organization of the company upon cooperation when he proposed its formation at a meeting of thirty-nine retail druggists in Boston in 1902. These founders were all equally interested in financing the new company, and they carried the principle of cooperative ownership into the demand that every exclusive agent of the United Drug Co. must own a certain amount of its stock. However, even with every resource at their command the building of a strong foundation of mutual interests and responsibilities would have been a long and difficult task without friendly cooperation among the Rexall druggists themselves. With this realization the officials set to work to establish cooperative policies in their company.

Although it is impossible to follow all the means these officers used to draw together Rexall agents in cooperation with their company, one of the first moves was to bring agents and company men into actual friendly associations. In Sept.,

1903, the year the Company started operations, the first annual convention was held in Boston. During two days, Sept. 29 and 30th, more than half of the 338 stockholder-agents---172 retail druggists---attended the business meetings where they discussed their common problems and afterward inspected the small manufacturing plant. In the one day the products were displayed these Rexall agents purchased \$75,000 worth of the Company's goods. The value of even a few months of cooperative efforts was recognized when each month the Company's sales increased materially. In one month, October, 1903, the Rexall druggists bought more of their own products than in the entire first six months of the United Drug Company's existence. Within three more months---nine months after the first order was shipped---the Company had sold 50% more on its outstanding orders than its plant was able to produce.

In September, 1904, Rexall druggists again met in Boston to discuss their own work and to plan for the future with their Company. This second annual convention was very successful in furthering the spirit of friendship among Rexallites when more than 200 Rexall druggists carried back into their business the strength of new friendships and enthusiastic cooperation.

The spirit of friendly cooperation toward which the Company strove was more apparent in the third annual convention of the United Drug Co. More than 400 of the stockholders attended the Boston convention in 1905, and the families of 125

of these Rexall druggists were present with them. During the first three years the Company had extended its exclusive agency plan to a total of 1,000 Rexall drug stores. The Company was always ready to develop more products for the exclusive Rexall line, and at this convention the stockholders approved plans to acquire other controlled products.

Every strength of the United Drug Co. was needed to withstand the severe financial depression that seized the entire country in November, 1907. When the Company was required to make heavy payments during November and December, Rexall stockholders came to the aid of their Company, and it paid all obligations.

Despite the general slackening of business, more Rexall druggists than ever attended the annual convention the following year. This sixth Rexall convention was long after referred to as the "prosperity convention", because it was the greatest gathering in the Company's history with 634 stockholder-agents in attendance.

After twenty-five years of ever-increasing success the United Drug Co. entertained its stockholders at a great celebration in honor of its twenty-fifth anniversary. The Rexall silver jubilee convention which opened in Boston on July 23, 1928, was the largest gathering of Rexall druggists and their families in the history of their organization. More than 4,000 Rexallites gathered together in Boston that day from

seven countries, and in every meeting they attended they developed interests and strengthened friendships. From four days together in that great convention those druggists carried the spirit of cooperation and fellowship back to their homes in different parts of the world, and now they are working with more enthusiasm than ever to promote their Rexall line.

Constantly improving its contacts with the Rexall druggists, the United Drug Co. planned various promotional events throughout the year, and its business increased with the development of more uniform presentation of the Rexall products. The Company carried out its original plan of advertising Rexall products above the agent's name in local publicity. This advertising was carefully planned to acquaint the readers with the products themselves, the significance of the cooperative company behind every product, and the local Rexall druggist who extended the Company's positive guarantee. This campaign conducted in every instance over the store's name brought increased confidence and new business to the Rexall store. Within the stores as well, the Company carried on its schedule of sales promotion. Contests arranged to stimulate sales among the personnel in all agents' stores were important factors in developing cooperation in every Rexall store.

During the sixth annual convention in September, 1908, the latest advertising features of the Company's sales promotional schedule were stressed. With the following appropriations this campaign was to be the greatest ever conducted by

the United Drug Co: for magazine publicity, \$30,000; for advertising booklets, \$20,000; and for newspaper space, \$150,000.

A worthy innovation came in the starting of a trade magazine to carry the news of the Company activities into every Rexall store regularly each month. The new house organ was named the "Rexall Ad-Vantages", and publication was started in 1906. In addition to interesting and informative articles on the products, as well as news of members of the Company, the Rexall monthly magazine carried the latest price lists of seasonal products.

In pursuance of its constant plan to aid the Rexall druggists, the United Drug Co. established a cooperative insurance company. The United Druggists Mutual Fire Insurance Co. was organized in November, 1908, with a capitalization of \$100,000. This company offered cooperative insurance to every Rexall stockholder with certain dividends for each type of policy. Originally the insurance was only for business property, but later the Rexall druggist was able to insure his residential property with the Mutual Insurance Co. In September, 1909, this mutual company declared a 50 per cent dividend which it paid in November upon the expiration of the first year's policies. This large dividend announced when the company had been in business only 10 months proved that the Rexall agents were hastening to cooperate with the parent company which was always trying to help them to reduce the expenses of operation.

After weathering the country-wide financial depression in 1907 and 1908, Rexall druggists were beginning to realize the necessity for active organizations within their own states. With great enthusiasm the first Rexall state club was formed in Wisconsin on June 21, 1909. One of the original forty stockholders of the United Drug Co., Adolph Spiegel of Milwaukee, was the organizer and first president of the Wisconsin State Rexall Club. Following the annual meeting of the Wisconsin Pharmaceutical Association in Elkhart Lake, sixteen Rexallites under the leadership of Mr. Spiegel formed that first state Rexall organization. From this beginning, which the Company immediately welcomed, organization of state and district Rexall clubs rapidly followed.

With the establishment of Rexall agencies in Great Britain and in Canada, the achievement of an international association of Rexall druggists became possible. The man who was called upon to organize this new association of druggists was Thomas V. Wooten, previously a druggist in Chicago. Mr. Wooten as one of the organizers of the N.A.R.D. at St. Louis in 1898, and afterwards as an officer in the organization had gained valuable experience in directing group action among druggists. The state Rexall clubs in the United States, the British Isles and in Canada were thus organized under experienced leadership into the International Association of Rexall Clubs. This active society now has members in England, Canada, South Africa and the United States. In addition to

aiding more lasting cooperation among Rexall druggists within their own country, the International Association of Rexall clubs has become a power for good in fostering unified action of the Rexall druggists in foreign countries.

One of the foremost functions of every state Rexall organization has always been to work actively against destructive legislation for pharmacy. An outstanding example of their united cooperation against unfavorable legislation was their work against a proposed tax on drugs in 1914. Allying itself with growing opposition in the drug industry, the United Drug Co. urged every Rexall druggist to extend his influence to defeat the proposed amendment to the War Revenue Bill for an annual \$7,000,000 tax on drugs. On Oct. 8, 1914, the Company sent telegrams to Rexall agents throughout the country urging them to wire their Congressmen. Moreover, the president of the United Drug Co. went to Washington to represent the Company in opposing this legislation. Every state Rexall club responded immediately to the call to take up the fight. More than 15,000 telegrams poured into Washington in one day from wholesale associations, the N.A.R.D., and Rexall druggists with the result that the drug tax was defeated. The united strength of state Rexall clubs in fighting the bill was responsible to a considerable measure for its failure to become a law.

When times seemed hardest for the Company the far-reaching cooperation of Rexall druggists manifested their constant faith in their organization. Very serious financial troubles beset the United Drug Co. in 1921 when the entire world was

suffering from the disastrous depression following the World War. In July, 1921, the president of the United Drug Co. was compelled to transfer his personal assets to three trustees. Mr. Liggett, as president and greatest stockholder of the Company feeling it necessary to advise all stockholders as to the true condition of his financial affairs, sent a general explanatory letter of the status of the Company and the personal financial condition of its president to every stockholder. During the following days, President Liggett received letters from many Rexall druggists expressing continued faith in their organization and best wishes for an immediate solution of his difficulties. Soon afterward the Association of Rexall Clubs led the way to a material expression of the Rexall agents desire to help Mr. Liggett and, through him, their company. Certain selected Rexall druggists met in concentration points, and from personal funds they contributed the nucleus of the Rexall "Loyalty Trust Fund", a tribute to the friendship which united Rexallites. On Nov. 28, 1921, the three trustees of Liggett's personal assets were discharged after the resources of the "Loyalty Trust Fund" had expressed so unmistakably the confidence of Rexall agents in their Company.

In ten years of successful operation the United Drug Co. through the constant cooperation had developed a splendid spirit of friendliness among the Rexall druggists throughout the country. Many times individual members of this cooperative group had proved their appreciation of the actual

meaning of the slogan adopted by the original forty stockholders when those men had declared Rexallites were to be "All for One, One for All". Rexall druggists showed their cooperative spirit in March, 1913, when terrible catastrophes struck into the homes of thousands in Ohio, Indiana and many central states. Floods, tornadoes and fires wreaked terrible havoc in hundreds of towns, and in practically every instance the local Rexall druggist suffered losses in his home as well as in his business. Special United Drug Co. representatives went at once to the stricken areas where they personally reassured Rexallites, who took heart in the offers of assistance. State Rexall clubs made appeals to all Rexall druggists for aid in the work of recovery, and in a few hours a relief fund was created for the suffering Rexall families.

The Rexall clubs again raised a relief fund for many Rexallites in the Mississippi Valley who lost their homes and business property during 1927 in disastrous floods. The assistant secretary of the International Rexall Clubs who went into that section to give financial aid to those despairing druggists described some work of the Relief fund. Great areas of the country were submerged by floods. Tornadoes demolished entire towns. Those Rexall druggists whose homes were destroyed and their stores wrecked only then began to understand the full significance of aid from the relief fund. Every druggist who received help from the committee expressed his utmost gratitude in the material manifestation of the spirit of Rexall

cooperation. The realization of the willingness and actual efforts of the state clubs to help in the case of disaster was brought home forcibly to all Rexall druggists in such times.

Such financial relief voluntarily extended by associations of Rexall druggists to those Rexallites who were victims of catastrophes is convincing evidence that the United Drug Co. has accomplished a great deal in fostering cooperation among its agents. Voluntary relief programs aiding unfortunate Rexall druggists approach more nearly an ideal cooperation which can see beyond the mere commercial interest which join stockholders in a business enterprise.

During June and July, 1911, executives of the United Drug Co. were in Europe investigating conditions with the purpose of expanding the Company's operations into England and France. Following reports of the investigations, the Company decided to open a purchasing office in Paris, at once. Nothing was done at that time about establishing English connections. A few months later, however, a distributing branch was established in England at 114 Old Hall St., Liverpool. Stockholders were solicited among the retail druggists, and soon Rexall agencies were representing the United Drug Co. in England.

CHAPTER IV

FOREIGN INTERESTS OF THE UNITED DRUG COMPANY

Repeated efforts of numbers of Canadian druggists to obtain the exclusive products of the United Drug Co. induced Company officials to consider the organization of a branch in Canada. After investigations extending through the principal cities of Canada, the United Drug Co. (New Jersey) organized the United Drug Co., Ltd., in 1910. This company was the first foreign business venture of the eight-year old manufacturing drug company which distributed all of its products through exclusive druggist-agents. The Canadian company had exclusive control of the business in the Dominion, and established a manufacturing plant and general office in Toronto. The same policies were to maintain cooperation between the United Drug Co., Ltd., and its Rexall agents; its products were to be sold only by one exclusive representative in each town, and that druggist was to be the sole local agent so long as he owned the required amount of United Drug Co. stock under the agency plan.

During June and July, 1911, executives of the United Drug Co. were in Europe investigating conditions with the purpose of expanding the Company's operations into England and France. Following reports of the investigations, the Company decided to open a purchasing office in Paris, at once. Nothing was done at that time about establishing English connections. A few months later, however, a distributing branch was established in England at 114 Old Hall St., Liverpool. Stockholders were solicited among the retail druggists, and soon Rexall agencies were representing the United Drug Co. in England.

In the spring of 1920 when L. K. Liggett, president of the United Drug Co., went to England on business in connection with the distributing branch in Liverpool, one of his objects was to arrange for manufacturing facilities to develop the Company's business in Great Britain. (1) Finding this arrangement a difficult problem, due to the restricted building operations at that time, he conferred with Sir Jesse Boot, owner of the Boot Drug Co. Upon returning to America with an option to purchase the ordinary shares of the Boot Company, Liggett encountered opposition to acquisition of the English drug company. Despite the fact that the general business situation was unfavorable for such an extensive foreign venture, the United Drug Co., in June, 1920, purchased all the ordinary stock of the Boot Pure Drug Co. Liggett's International, Ltd. was then formed as a holding company for the United Drug Co. interests in England and Canada. Incorporated in Mass., Liggett's International, Ltd. acquired all the outstanding stock of the United Drug Co., Ltd. of Canada (except \$22,300 preferred stock) and all the assets and business, subject to liabilities, of the United Drug Co. in Great Britain. (2)

When Boot Pure Drug Co. became a subsidiary of Liggett's International, Ltd., in 1920, the English company was thirty-two years old. The original Boot herbal store was founded by Jesse Boot in Nottingham about 1875, and the Boot Pure Drug Co., Ltd. was registered in England, Nov. 7, 1888. (3) In 1927, the Boot Company operated extensive laboratories at Nottingham and warehouses in Manchester

(1) The Druggists Circular, "The Liggett Company in England", Vol. LXV, July, 1921, P. 246

(2) Moody's Manual, Industrials, 1924, P. 2463

(3) Moody's Manual, Industrials, 1924, P. 2463

and London. Eight hundred retail drug stores were grouped into areas under five subsidiary companies known as Boot's Cash Chemists, Ltd., in the eastern, Western, Southern, northern, and Lancashire districts of England.

W. C. Church, chairman of the United Drug Co., Ltd. of Great Britain and a director of Boot Pure Drug Co. speaking at the twenty-fifth annual Rexall convention in July, 1928, described the English subsidiary. (4) The Boot stores all carry drugs, patent medicines, toilet items, and other drug store goods, but no store has a soda fountain or sells cigars, tobacco or candy. Tea rooms are maintained only in eighteen of the larger shops. In 318 of the 820 shops are "No. 2 Departments", which include leather goods, stationery and silver. Eighteen per cent of the business is made up of leather goods, art objects, silver, books, etc. The other eighty-two per cent of Boot Drug Co. sales is in real drug store goods. In 1927, the Boot stores filled over 4,000,000 prescriptions.

The stores of the Boot Drug Co. open at 8:30 or 9:00 o'clock, depending on the districts in which they are located, and close at 7:00. Since the stores close one-half day a week and are not open on Sundays, they operate only five and one-half days out of each week. Only twelve shops in 1928 gave continuous day, night and Sunday service. In those shops, however, only medicinal products were allowed to be sold after eight o'clock at night.

In its laboratories the Boot company manufactures a complete

(4) Rexall Ad-Vantages, AugSept., 1928, "Our English Business"
P.29

line of pharmaceuticals, syrups, extracts, pills, tablets, etc. In addition to a wide variety of "packet goods", the chemical department produces 70 per cent of the saccharin solution used in England, as well as ether, chloroform, alkaloids and similar drugs. Shop-fitting factories make all the Company's fixtures, shop fronts, and office furniture. The largest picture-framing business in England is an adjunct of the shop-fitting department.

At the end of the fiscal year on March 31, 1927, the Boot Pure Drug Co. employed 15,316 people, about 6,000 in the manufacturing and wholesale departments and general offices, and 9,000 in the retail stores. The sales volume was approximately \$48,000,000, an increase of five and one-half per cent over the previous year. In the seven years since the United Drug Co. had acquired control, the Boot Drug Company had opened 250 stores, equipping and stocking them wholly out of its profits.

The profits of the Boot Drug Company's operations indicate the rate at which its business progressed: (5)

Comparative Income Account, Boot Pure Drug Co., Ltd.,
years ended March 31,

	1922	1921	1920	
Net profits.....	£487,822	£402,713	£285,978	
Pref. dividends...	96,075	94,610	88,794	
Balance.....	£391,747	£308,103	£197,184	
	1926	1925	1924	1923
Net profits.....	£688,473	£654,837	£628,620	£591,620
Pref. dividends...	96,750	96,750	96,750	96,729
Ordinary dividends	360,000	360,000	360,000	-----
Balance	£231,723	£198,087	£171,870	£494,343

On Feb. 15, 1926, the United Drug Co. became the direct owner of all the outstanding common and preferred stock of Liggett's Inter-

(5) Moody's Industrials, 1924, P.2463; 1926, P.2344

national, Ltd., Inc. (of Mass.). Twenty-five per cent of the class "A" common stock of the latter company had previously been held by the public. Through acquisition of the balance of the stock the United Drug Co. gained complete control of extensive drug interests. In addition to its own manufacturing plants and more than 6,000 agencies, a subsidiary operated some 325 retail drug stores in the United States. Through the Boot Pure Drug Co. this corporation owned 664 drug stores besides several factories and warehouses in England. The United Drug Co. also owned 39 Liggett drug stores in Canada and had 630 exclusive Rexall agencies in other Canadian cities.

(6)

In October, 1927, the United Drug Co., Ltd. (of Great Britain) extended the Rexall franchise into South Africa. In many towns of a vast territory from Cape Town to Salisbury, Rhodesia -- a distance of nearly 2,500 miles -- eighty-eight Rexall druggists in 1929 were distributing their Company's products.

A report from the United Drug Co. on Feb. 1, 1930 states: ⁽⁷⁾

"In England we have 1,824 Rexall agencies in some 1,250 towns. The Boot Pure Drug Co., our English retail subsidiary, now has 869 chemist shops. In South Africa we now have 88 Rexall agencies, supplied from our English company. In Canada there are 38 Liggett drug stores and 877 Rexall agencies. In the United States at the present time the United Drug Co. has approximately 7,400 Rexall agencies and through the Louis K. Liggett Co. it controls 563 Liggett drug stores."

(6) Ibid., 1925, P.2140

(7) Letter from the United Drug Co., Boston, Mass., Feb. 1, 1930

CHAPTER V

ASPECTS OF GROWTH IN REORGANIZATION
AND CONSOLIDATION

The original United Drug Co. was incorporated in New Jersey in 1902 as manufacturing chemists. The authorized capital stock was \$200,000 preferred and \$300,000 common at \$100 par. Officers were E.G.Cahoon, Pres.; E.L.Scholtz and J.A.Demoville, Vice-Pres.; J.T.Wetherald, Treas.; L.K.Liggett, Sec. and Gen-Mgr. The directors were the foregoing and E.R.Petty, W.C.Bolton, G.C.Lyon and Stephen Hexter. The Company's office and plant were at 43 Leon St., Boston. (1)

After two and a half years of operation, the United Drug Co. on July 28, 1905 declared its first stock dividend. This first dividend was paid Oct. 1, to holders of the preferred stock on record Aug. 31, 1905.

At a special stockholders' meeting called on May 15, 1906 the preferred stock was increased 200% to a total of \$375,000. This increase of \$250,000 was needed to provide for the issuance of initial quotas of stock to new Rexall agents. On Nov. 15, 1906, new preferred stock was authorized for the second time in six months. The issue of preferred stock then rose from \$375,000 to \$500,000. By advancing the outstanding common stock the same amount, the capital stock of the United Drug Co. became \$1,000,000---an increase of 100% in total

(1) Moody's Manual, 1903, (New York) p.1668

capitalization in four and one-half years.

The entire country was in the grip of a financial panic in November, 1907. The bank from which the United Drug Co. borrowed most of the money for its operations experienced a very severe run when its depositors withdrew millions of dollars. At that crucial time the bank required the Company to pay in \$35,000 within 20 days. The Rexall agents owed the United Drug Co. over \$20,000 more than in the previous week, an average increase of \$3,000 a day, and paying this they enabled the Company to meet all its obligations. Extreme measures of business were in force everywhere, yet the United Drug Co. was in better financial condition than ever before. The outstanding accounts on its books for merchandise alone were \$50,000, a greater sum than its total indebtedness. On Nov. 1, 1907, its surplus and reserve earnings totaled over \$100,000--a remarkable growth for the five-year old company.

In May, 1908, the United Drug Co. made changes in the requirements for the quotas of preferred stock for new Rexall agents. In cities of 10,000 population or less, the Rexall druggist was required to own at least one share of preferred stock in the Company; in cities of 10,000 to 20,000, two shares; 20,000 to 50,000, three shares; and in all cities over 50,000, at least five shares of preferred stock.

On May 16, 1908, for the first time in its five years of business operations the Company paid a dividend on common stock. Two months later, July 29, 1908, another dividend of 1% was paid to the common shareholders.

The United Drug Co. (of Mass.) was incorporated in Jan., 1911 to acquire all the capital stock of the New Jersey corporation of the same name. Capital stock of the new company was authorized at \$2,500,000 7% cumulative preferred, par \$50, and \$2,500,000 common stock, par \$100. Officers of the United Drug Co. (Mass.) were : L.K.Liggett, Pres.; L.I.Schreiner, J.C.Brady and F.S.Rogers, Vice-Pres.; J.C.McCormack, Treas.; C.E.Murnan, Secy. As directors were the above and B.M.Hyde, Rochester; W.A.May, Pittsburg; J.N.Staples, Jr. and G.W.Bence, Boston; E.R.Petty, Newark; W.M.Federman, Kansas City; E.L.Scholtz, Denver; T.P.Taylor, Louisville, and T.Voegeli, Minneapolis. The general office was at Greenleaf, Leon and Rogers Ave., Boston. (2)

Additional profits were distributed to United Drug Co. stockholders on Dec., 1, 1911, when the common stock was placed on a basis of an eight per cent dividend.

The comparison of the annual sales volumes of the Company permit a better understanding of the rate of its growth. (3)

Sales of Merchandise by United Drug Co.(N.J.)	
1902-3.....\$ 61,777	1906-07.....\$1,014,620
1903-4..... 324,565	1907-08..... 913,608*
1904-5..... 418,085	1908-09..... 1,389,320
1905-6..... 606,454	1909-10..... 2,115,840
	1910-11.....\$2,839,329
	1911-12..... 3,414,561

(*) only 10 mon.

The St. Louis distributing branch of the Company entertained the tenth annual Rexall convention at St. Louis in

(2) Moody's Manual, Railroads and Corporation Sec., 1913, p.1677

(3) Ibid.

September, 1912. More than 2,000 Rexall druggists attended this first convention at the new branch, many of them representing the Canadian and English agencies recently established. Extraordinarily increased business followed the convention, and all the plants were forced to produce overtime. The sales of the United Drug Co. alone, not including those of the various subsidiary companies, in the month of October, 1912, exceeded \$475,000. Only a few years previously, the Company had expressed the ambition to do a half-million dollar business in twelve months.

In 1914, the United Drug Co. (of Mass.) was still the holding company, and the New Jersey company was in charge of manufacturing and operations. The latter company eventually was to be dissolved.

In the United States, tremendous increases in prices rapidly followed upon the declarations of war. Contracts for future delivery made by the United Drug Co. were broken by manufacturers and jobbers. Conferences of the directors, officers and department managers resulted in the authorization of the department managers to set the price policies for the Company's products. Notwithstanding the advances in the cost of raw materials, the department managers in a special meeting passed a resolution to maintain the old prices until absolutely forced to make increases. Orders for future delivery were accepted, however, only as subject to price changes.

When the United Drug Co. announced a new stock issue in August, 1914, the stock was soon over-subscribed. Only eighteen months later, each subscriber to that new issue received three and one-quarter shares in exchange for each share held, a profit of \$225. per share.

A new United Drug Co. was incorporated Mar. 29, 1916, in Mass. following a consolidation of the company of the same name with Riker & Hegeman Co. of New York. In 1918, besides its own manufacturing property and business the United Drug Co. owned the entire capital stock of the L.K.Liggett Co., and the Riker-Jaynes Co. which succeeded as the retail company of Riker & Hegeman. In addition the United Drug Co. owned all the common stock of the National Cigar Stands Co.; the United Drug Co., Ltd. of Canada; the United Drug Co. of Great Britain; Ballardvale Springs Co.; Cooperative Realty Co.; Liggett's Ltd. of Canada; Gordon-Mitchell Drug Co., Winnipeg; V. Vivaudou, Inc.; Seamless Rubber Co., Inc., and all the stock of the Guth Chocolate Co. (4)

Another stock dividend was declared on April 2, 1917 when the reorganized United Drug Co. announced its first dividend on the new stock. This first dividend on the new common stock amounted to five per cent annually.

The United Drug Co. increased its net sales approximately 10% in the year 1918, yet charging off more than twice as much for depreciation and with 25% more operating expenses it still

(4) Moody's Manual, Industrials, 1918, p.1698

showed a 25% gain in net profits. Dividend disbursements were increased, but the Company carried forward the heaviest surplus since its formation.

Following the great expansion programs in 1919 and 1920 the United Drug Co. experienced severe trouble. In March, 1921, the balance of unissued common stock, amounting to \$4,723,300, was offered to all common and preferred stockholders. The dividend rate at that time was eight per cent a year. Upon requests of many stockholder-agents that they might interest their sales-people and friends in the purchase of this stock, the Company offered a commission of five dollars per share on all shares of this stock sold by a stockholder-agent. After several days, however, only 493 stockholders, about seven per cent of the 7,000 Rexall druggists in the United States, had subscribed to the new offer of United Drug Co. common stock. Early in the following month, April, 1921--presumably as the result of action by the "bear" stock traders--the Company's common stock fell to the value of \$85. a share.

On June 14, 1921, the common shareholders were called to vote on an increase of the authorized common stock from \$35,000,000 to \$55,000,000, the increase to be held in reserve for conversion purposes. Instead of increasing the outstanding common stock, then amounting to \$34,552,100, the Company issued \$15,000,000 in eight per cent twenty-year bonds, convertible into common stock at \$110 per share. This measure was taken in order to finance the floating indebtedness of the United Drug Co., which was then in excess of \$18,000,000.

In August, 1921, however, the prices of United Drug Co. securities crashed to new low marks. Results of the business difficulties were further evident on Sept. 1, 1921, when the Company did not pay its quarterly common stock dividend. In 1921, the common stock dropped in value from \$106 to \$46. The high point for the same issues of common stock in 1920 was \$148.

Recovering from the depression following the great expansion period and the war, the business of the United Drug Co. in August, 1922, showed a strong improvement. Sales had increased slowly, but the Company had retired \$820,000 worth of bonds and reduced its liabilities by \$4,750,000. Accounts payable had been reduced by \$300,000. While the sales for the year 1921 had shown a decrease of \$8,000,000 over 1920, there was already an increase in sales during the first six months of 1922 to the amount of \$63,000.

Gradually regaining its secure position in the drug manufacturing field in the face of the post-war depression, on May 29, 1923, the United Drug Co. declared a resumption of dividends omitted on common stock since the 2% dividend in July, 1921. The dividend of one and one-half per cent was paid Sept 1, 1923, on common stock of record August, 15. Just two years before, due to the great expansion policy, which had cost twice the amount of original estimates, and to large inventories of raw materials purchased at high prices, the United Drug Co. had owed \$22,500,000. In May, 1923, however, the Company removed all of its indebtedness to banks.

On March 14, 1924, the United Drug Co. celebrated the twenty-first anniversary of the first shipment of its own

products. On that first day the single order shipped totaled \$1,625.35. Twenty-one years later the sales of the parent company for the one day, exclusive of the sales of its many subsidiaries, amounted to \$218,250.59.

In 1925, the United Drug Co. announced that the ratio of quick assets to quick liabilities (including the current issues of bonds and notes) of the company and its subsidiaries would be maintained at a minimum of 125 per cent. In the event that such ratio was not maintained no dividend would be paid on the common stock until it was restored. The following list shows available record of the dividends paid on common stock by the United Drug Co. (of Mass.) reorganized in 1916: ⁽⁵⁾ initial dividend of $1\frac{1}{4}\%$ paid in April, 1917; in July and Oct., 1917, each $1\frac{1}{4}\%$; during 1918 and 1919, 6% per year; in 1920, dividends of $7\frac{3}{4}\%$; in Jan., April and July, 1921, quarterly 2% ; none thereafter until Sept. 1, 1923, when $1\frac{1}{2}\%$ was paid and quarterly thereafter to March, 1925, inclusive.

Following negotiations for a merger of the United Drug Co. with Sterling Products, Inc., in 1928, a reorganization of the third company to bear the name of the original New Jersey company was effected. Stockholders of the former Massachusetts company voted on Feb. 14, 1928, to: ⁽⁶⁾ 1. authorize the sale and transfer of all property and assets of the company including its good will to a new United Drug Co.; 2. authorize the sale and transfer of all the capital stock of said new United Drug Co. to another corporation to be organized under the laws

(5) Moody's, Industrials, 1925, p.2139

(6) Poor's, Industrial Securities, 1928, p.2647

of Delaware, (i.e., Drug Inc.) in order to accomplish a merger and consolidation of the United Drug Co. with Sterling Products, Inc.; 3. liquidate the United Drug Co. (of Mass.). Holders of the latter company's first preferred stock were entitled to receive upon liquidation on Mar. 15, 1928, the sum of \$50 per share--its par value--or as an alternative, \$60 in 25-year 5% bonds of the United Drug Co. (of Del.) for each \$50 par value of said first preferred stock. The holders of common stock were to receive an equal amount of common stock from the Delaware company. The present United Drug Co. was incorporated Feb. 1, 1928 in Delaware, and in the same month it acquired all the property and assets, including the good will, and assumed the liabilities of the United Drug Co. (of Mass.)

The reorganized United Drug Co. combined in March, 1928 with Sterling Products, Inc., also reorganized for the merger, and formed the holding corporation, Drug Inc., on Mar. 2, 1928 in Delaware. By issuance of 2,155,990 shares of its capital stock without par value, the new holding corporation acquired all the assets, goodwill, property and business of Sterling Products, Inc., subject to its liabilities, and all the capital stock of the United Drug Co. (of Del.). The issue of stock was on the basis of $1\frac{3}{4}$ shares of Drug Inc. for 1 share of Sterling Products and $2\frac{1}{2}$ shares of Drug Inc. for 1 share of United Drug Co. (of Mass.) common stock. (7)

Sterling Products, Inc., controlled by Drug Inc., was formed in West Virginia in March, 1928, as successor to the

(7) Poor's, Industrial Securities, 1928, p.2647

(8) Poor's, Industrial Securities, 1929, p.245

company of the same name formed Dec. 3, 1917, which in turn had succeeded the Neuralgyline Co., incorporated in 1901. The new company had an authorized and issued capital stock of 100,000 shares, no par value, all owned by Drug Inc. (8)

Active companies controlled by Drug Inc., as holding company, on Oct. 12, 1929:

I. United Drug Co. (inc. Mar. 2, 1928, in Del.)

A. owns all preferred and common stock of the following American companies:

1. Louis K. Liggett Co.
2. National Cigar Stands Co.
3. Seamless Rubber Co., Inc.
4. Marcus Ward, Inc.
5. Sherman Envelope Co.
6. Hudson Valley Pure Food Co.
7. Absorbent Cotton Co. of America

B. owns all common stock of foreign companies:

1. United Drug Co., Ltd. (Canada)
2. L.K.Liggett Co., Ltd. (Canada)
3. United Drug Co., Ltd. (England)
4. Boot Pure Drug Co., Ltd. (England)

II. Sterling Products, Inc. (Inc. Mar., 1928, in W.Va.)

A. owns all capital stock:

1. Sterling Products, Ltd.
2. Proprietary Agencies, Ltd.
3. Wells & Richardson Co., Inc.
4. Wells & Richardson, Ltd.
5. Chas. H. Philips Chemical Co.
6. Knowlton Danderine Co.
7. California Fig Syrup Co.
8. The Bayer Co., Inc.
9. The Bayer Co., Ltd.
10. Bayer Products, Ltd.

B. owns controlling majority of capital stock:

1. Sterling Remedy Co.
2. Cook Laboratories Inc.
3. Household Products Inc.

III. Life Savers Inc.

IV. Three-in-One Oil Co. (entire capital stock)

V. Bristol-Myers Co. (entire capital stock)

During the past four years the United Drug Co. has been attempting to simplify control of the many divisions within its organization. In 1926, buying up all the outstanding capital stock of Liggett's International, Ltd., the United Drug Co. acquired complete control of those foreign companies which had formerly been grouped under the one holding corporation. All of the stock of the Boot Drug Co. and the other English and Canadian interests went to the United Drug Co. which thus eliminated a great subsidiary with all its additional complexities. The value of these moves would be more readily gauged with a better understanding of the organization structure, but the United Drug Co. withholds information on the extent of functions within its divisions.

While the consolidation of Sterling Products Inc. with the United Drug Co. in March, 1928, seems to be in opposition to the latter's moves toward simplification of business control, during these first two years it has apparently effected little change in the organization of the United Drug Co. The companies continue with their complete managing and operating staffs, with some officials from each joining to form the directing body of the holding company, Drug Inc. No changes have been announced in the manufacturing operations of the United Drug Co., and no changes have been made in contracts of the Company with the Rexall agents.

Apparently one of the foremost reasons for the merger of these two drug companies was the combination of their financial strength. The United Drug Co. had suffered severely as a re-

sult of the great business depression in 1921, especially since it was already very much weakened by its excessive expansion program in 1919 and 1920. By combining the stocks of these two companies the risk of all their business movements is spread out over materially greater financial strength. In this respect every stockholder of Drug Inc. will benefit from the merger.

Sterling Products Co. and its allied companies manufacture goods which are stocked in practically every drug store in this country. In addition they have foreign branches through which they distribute drug products in many countries throughout the world. The United Drug Co. with its extensive foreign retail holdings offers better markets for these lines of general products, and in turn will be able to profit from the established business connections of Sterling Products, Inc. With more than 10,000 Rexall agencies and 1,400 other retail drug stores increasing their concentration on the sale of their new products the United Drug Co. will aid tremendously in the distribution of Sterling Products. Finally, as the two organizations come closer together in business under Drug Inc. they will find ways in their many factories to assist each other in reducing the costs of manufacture. Gradually by perfecting their methods of production and increasing the distribution of their goods these drug companies will attempt to use this consolidation in increasing their net profits. The magnitude of operations under Drug Inc. will make the keenest control necessary if the cost of overhead is to be kept proportionately low as the corporation's sales increase. The ultimate test of the consolidation

of Sterling Products Inc. and the United Drug Co. will be its ability to provide for increased net profits and to assure permanence in growth.

Price Ranges of Stock of the United Drug Co. (9)

Year	Common Stock		1st Preferred Stock	
1919	175 $\frac{1}{8}$	90 $\frac{1}{2}$	58 $\frac{1}{8}$	50
1920	148	91	53	41 $\frac{3}{4}$
1921	106	46	47	36 $\frac{5}{8}$
1922	85	60 $\frac{7}{8}$	51 $\frac{7}{8}$	41 $\frac{1}{8}$
1923	85 $\frac{3}{4}$	74 $\frac{1}{4}$	49	46 $\frac{1}{4}$
1924	121 $\frac{5}{8}$	71	53	46 $\frac{3}{8}$
1925	162 $\frac{1}{2}$	110 $\frac{7}{8}$	56 $\frac{1}{2}$	52
1926	174	134	59	55 $\frac{1}{2}$

Drug Inc.

1928 120 $\frac{1}{8}$ --- 77 $\frac{1}{2}$

CHAPTER VI

OPERATIONS OF THE UNITED DRUG COMPANY
IN THE CHAIN DRUG STORE FIELD

Although the purposes of the founders of the United Drug Co. were to ally manufacturer, distributor and retail druggist in a single cooperative organization with exclusive agencies, it is doubtful that there was any intention at that time for the Company to enter the chain-store field. A brief statement, however, of the development of the chain store movement will indicate how surely this type of retail trade was expanding.

The first chain of stores was founded by George Hartford, who in 1857 was engaged in the hide and leather business in New York City. In 1859 Hartford added a side line of tea to his stock of leather. The business prospered, and in 1864 Hartford's success decided him to organize the Great American Tea Company. This venture proving successful he opened several branch stores in Brooklyn and New York, and in a few years the Great Atlantic and Pacific Tea Co., as he now called it, had grown into a chain of 25 stores. (1)

While the chain store movement had progressed steadily since 1864 with the founding of the first chain store system in the Great Atlantic and Pacific Tea Co., chain stores were not at all numerous in the retail drug field 36 years later. The first national survey of chain drug stores in the United States conducted by "The Druggists Circular" in 1920 disclosed some valuable information on this development of the chain store movement. In 1900, the entire retail drug field included only some 25 chain drug stores, more than one-fourth of which were located in New York City. In that

(1) Hayward, W., & White, P., Chain Stores, (New York, 1928) P.16

year, the Wm. B. Riker Co. operated two chain drug stores, and the Hegeman company probably had the largest chain in the country with its four stores, also in New York. The Owl Drug Co. operated three stores in California, and the few other chain drug stores were scattered in the East.

Within the next five years some new firms had developed into chain drug systems. In 1905 the Hall & Lyon Co. of Providence was operating six stores; the Hegeman chain included six; the Riker-Bolton combination in New York and Brooklyn gave that organization control of seven stores; the Jaynes company owned four stores in Boston; and the Owl Drug Co. had five or six stores in San Francisco, Oakland and Los Angeles. (2)

While the growth of chain operations had increased considerably in other fields, the drug chains numbered less than one hundred stores after a decade. This increase, however, had occurred principally in two systems, so it was in reality a positive indication that chain store operation in the drug field had proved successful. The Riker, Hegeman, and Jaynes companies confined their operations to the extreme eastern part of the country with a total of fifty-eight stores. On the Pacific Coast the Owl Drug Co., the only drug system, had ten chain stores in California.

The largest chain of drug stores in the country in 1915 was the Riker & Hegeman Co., New York. This company was incorporated Feb., 1912, to assume ownership of the Wm. B. Riker & Sons Co., Hegeman and Co., and the Jaynes Drug Co. of Mass. At the time of organization

(2) The Druggists Circular, Vol. LXIV, (May, 1920) P.161

this giant of the retail drug field owned and operated 107 drug stores in the large eastern cities. Sales of the Riker-Hegeman Co. in 1914 amounted to almost \$16,000,000. (3)

In 1920, a survey of chain drug stores in the United States revealed a tremendous increase in this branch of the retail drug field. In the previous decade, 1900 to 1910, the drug chains had grown to a total of some 90 to 100 stores, an increase of more than 400% over the total of 25 stores in 1900. However, in the second decade of their existence as a real factor in the drug field the chain stores increased at four times the former rate with a total of approximately 1500% increase in number during the 10 years. Whereas in 1910 there were about 100 chain drug stores, more than 1,500 drug units were doing business in 1920. This survey disclosed the following figures on the growing national importance of chain drug stores: (4)

	<u>1920</u>
Firms operating chain drug stores	315
Total of stores in operation	1,563
Ave. number of stores per chain	4.3
Chains operating 10 or more stores	21
Total of these stores operated	545
Ave. number of stores per chain	25.9

A more convincing illustration of the growth of drug chains in the first twenty years is a comparison of 14 leading chain organizations. In 1900 some six of these 14 companies operated the total of 25 chain drug stores in the entire country, and in 1920 they

(3) Moody's Manual, Industrials, 1918, P.1697

(4) The Druggists Circular, Vol.LXXII, (Mar., 1928) P.83

owned 451 of the 1,563 stores. The Shumate Pharmacies in San Francisco was the smallest of these 14 chains, with 12 stores, and the Louis K. Liggett Co. included 211 stores in the largest chain drug company. (5)

In 1921 the number of chain drug stores in the United States had increased approximately 13 per cent in one year to a total of 1,763. The number of operating firms had decreased from 315 in 1920 to 303 in 1921, and the average number of stores per chain had advanced from 4.3 to 5.0. Twenty-four chains in the country operated 10 or more drug stores with a total of 650. The average number of stores per chain had increased from 25.9 in 1920 to 27.0. (6)

In 1925, a survey disclosed a total of 320 firms operating 2,173 chain drug stores throughout the United States. The average number of stores per chain increased from 5. in 1921 to 6.7. The total number of 2,173 stores showed an increase over the 1,763 chain stores in 1921 of 23.2 per cent. (7)

Some figures of the survey indicate the extent of distribution of chain drug stores in the United States. In 1925, there were approximately 52,500 retail drug stores in this country, of which 2,173 or about 4.1% were chain stores. Eight states -- Florida, Maine, New Hampshire, Vermont, Wyoming, Nevada, Nebraska and New Mexico -- had no home company operating chain drug stores. New Mexico, however, was the only state which had no chain drug store within its boundaries. (8)

(5) Ibid. Vol.LXIV, (May,1920) P.161

(6) Ibid. Vol.LXXII, (Mar., 1928) P.83

(7) Ibid.

(8) Ibid. Nov. 1925, P.403

The total volume of business of the 52,500 retail drug stores for the year 1925 was estimated to be approximately \$1,242,820,000. Based on reports from many chain store corporations of their annual sales, it was estimated that the 2,173 chain stores would have annual sales of \$221,137,518. The results of these conclusions were that: ⁽⁹⁾

Four in every one hundred drug stores in the United States in 1925 was a chain store. "Seventeen per cent of all drug store merchandise is distributed through chain drug stores, principally confined to the larger cities. About 85 per cent of all the chain drug stores are located in large cities, and 15 per cent of them are in smaller communities. It is estimated that, on account of their strategic locations, chain drug stores are in a position to serve about one-third of the total population; whereas, they actually do only about one-sixth of the total drug business of the country."

A large number of chain store organizations also submitted figures showing the amount of business transacted by the several departments of their stores. The following tabulation was prepared by "The Druggists Circular" in 1925. ⁽¹⁰⁾

Store Department	Per cent of total store sales by dept.
Prescriptions & household drugs	17.25
Proprietary medicines & toilet goods	28.21
Soda Fountain	15.53
Sundries	13.02
Cigars and tobacco	11.31
Other departments	14.68

The Harvard Bureau of Business Research in 1919 made a similar survey of independent drug stores and arrived at the following figures, which in several instances are similar to those compiled from the chain store reports, as above: ⁽¹¹⁾

(9) Ibid., Dec. 1925, P.444

(10) Ibid.

(11) Ibid.

Store Department	Per cent of total store sales by dept.
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Prescriptions	10.
Proprietary medicines	22.
Toilet articles	10.
Rubber goods	3.
Candy	5.
Cigars and tobacco	8.
Soda	14.
Other goods	28.

The fifth national survey of chain drug stores made by "The Druggists Circular" early in 1928 comprises the last available survey of the field. In 1925, a total of 320 chain organizations were operating 2,173 drug stores in the United States. While the number of chains in 1928 had increased only by eight, the number of stores had jumped to 2,725 -- an increase of 552. This growth was the greatest shown in any survey. Sales had also increased. Since 1919 sales of the chain drug stores had more than doubled. The drug chain volume in 1927 was estimated to be 12.7% greater than in 1926, according to reports from 828 stores. The total number of retail drug stores in the United States was given by Hayes' Directory as 54,272. Of these, chain drug stores were 2,173 -- approximately 1 in 25. Of the various estimates placed upon the total retail drug sales, one was: \$1,250,000,000 with sales through chain drug stores estimated at 20%, or \$250,000,000. (12)

Although the cooperative stockholder-agent type of business in retail drug field began with the formation of the United Drug Co.

(12) The Druggists Circular, Vol. LXXII, (Mar.1928) P.82

in 1902, this company had no chain store connections during the first seven years. The first consolidation of the United Drug Co. with outside retail drug interests was consummated in March, 1907, when the Company acquired the manufacturing and retail business of the Jaynes Drug Co. of Boston. This measure was taken to overcome certain difficulties which had developed between the concerns in their operations in Massachusetts. Shortly afterward, the retail business of the former Jaynes Co. was sold to the Wm. B. Riker and Son Co. of New York, at that time the largest local chain of drug stores. The manufacturing equipment, however, was transferred to the plant in Boston, and the United Drug Co. added the Jaynes' products to its constantly growing lines. By these operations the United Drug Co. showed that it was still interested principally in the manufacturing end of the drug trade and wished to engage only in the cooperative business with its retail stockholder-agents.

From the time of its founding in 1902, the United Drug Co. had been solely a manufacturing firm, but in January, 1904, forced by opposition from its Buffalo agent the Company took a definite stand. The Rexall agent in Buffalo, New York, refused to pay for more than one-half of his compulsory stock subscription. The Company thereupon withdrew the franchise of this druggist who had failed to keep his cooperative agreement, and searched for a new agent. Finding no acceptable retail druggist, the directors of the Company decided to start a firm to act as the Rexall agent in Buffalo. The United Drug Co. was not chartered to conduct retail drug business, however, so it was necessary for some of the directors to advance personal funds to operate the new Cahoon-Lyon Drug Co. Until 1909, therefore, the

United Drug Co. had only a single retail drug outlet completely under its control, and this move had been sanctioned by stockholder-agents of the Company, who were concerned in the matter. The Cahoon-Lyon Drug Co. comprised this unit, and the stores, all located in Buffalo, were owned personally by certain of the officers of the United Drug Co.

In September, 1909, however, confronted by the competition of retail drug stores, the United Drug Co. decided to enter the retail field in certain cities with its own stores controlled from Boston. The original company had no right under its charter to operate retail drug stores, so it formed a separate company for the new venture. The Louis K. Liggett Co. was incorporated in Massachusetts for operation in the wholesale and retail drug business. One of the by-laws of the United Drug Company's new subsidiary stated that no retail store would ever be operated by the Louis K. Liggett Co. in competition with a Rexall store.

This retail subsidiary was financed by the sale of \$1,200,000 worth of Louis K. Liggett Co. notes for \$1,000,000. The notes were secured by the controlling capital stock of Hall & Lyon Co., of New England; Williamson & Watts, Baltimore; Cahoon-Lyon Drug Co., Buffalo; Gray & Worcester, Detroit, and Dwight-Nye Drug Co., Syracuse. Louis K. Liggett was elected president of the new company, and he was also the owner of the controlling stock. The first Liggett stores were opened in the locations of the previously mentioned drug firms. The officers of the Liggett Co. stated that their purpose was to insure the future of the United Drug Co. and to aid in the maintenance of its exclusive Rexall agency plan.

One year after the United Drug Co. had included operations through stores controlled entirely from its subsidiary's central office in Boston, the Liggett Company had 26 stores. In 1912, there were about 60 Liggett drug stores in larger cities of the eastern states and in Canada. These stores included in their stocks the exclusive Rexall products but in no instance did they conflict with a Rexall store owned by individual stockholder-agent.

A consolidation effected in 1916 added the largest American chain of drug stores to one of the most progressive manufacturing and retailing drug companies in the United States. The United Drug Co., incorporated in Mass. on Mar. 29, 1916, was a consolidation of the United Drug Co. (incorporated in 1911) and the Riker-Hegeman Co. of New York. The plan for the merger was signed on Nov. 15, 1915 by committees headed by J. B. Cobb for the Riker-Hegeman Co. and by L. K. Liggett of the United Drug Co. On the requests of these committees, large deposits of stock were made in Boston and New York in order to complete the merger. In Feb., 1916, special meetings of stockholders ⁽¹³⁾ of both companies declared the plan of consolidation effective. As a result of this merger, the United Drug Co. then had control over some 175 retail drug stores, chiefly in cities in the East. Within seven years of its first operations in the drug field this company which originally carried on business only with its stockholder-agents also had become the largest owner of chain drug stores.

In February, 1917, rumors were current that the United Drug Co. planned to invade all localities where it had Rexall agents and force

(13) Moody's Manual, Industrials, 1918, P.1697

these druggists out of business. Compelled to fight the rumors, the United Drug Co. mailed a general letter of denial to each stockholder on Feb. 5, 1917, "to assure him that his interests were placed first in all that the Company did."

The world's greatest chain of retail drug stores in 1920 was the Boot Pure Drug Co., Ltd. in Great Britain. It carried on a manufacturing, wholesale and warehousing business, and operated 627 drug stores in England and Scotland through subsidiary companies. In June, 1920, the United Drug Co. purchased all of the common stock of the Boot Company, and acquired ownership of retail interests for the first time in England. Liggett's International Ltd. was then incorporated in the United States by the United Drug Co. as a holding company for all its manufacturing and retail interests in Canada and Great Britain. Thus the United Drug Co., already owner of the largest American drug chain, gained control of the greatest chain in England, and became the most powerful operator of chain drug stores in the world.

Louis K. Liggett Co., the retail subsidiary of the United Drug Co., increased the number of its drug stores very slowly from a total of 221 to 229 during 1921. Including the 630 Boot's Chemist Shops operated in England by Liggett's International Ltd., the Liggett interests in turn controlled by the United Drug Co., owned 859 drug stores in Great Britain and the United States. ⁽¹⁴⁾ The United Drug Co. still maintained its position as the leader in the chain drug field.

In 1925, the United Drug Co. still relied on its exclusive

(14) The Druggists Circular, Vol. LXXII, (Sept., 1921) P.335

Rexall agencies for distribution of its products beyond the Rocky Mountains and on the Pacific Coast. In that year, however, when agency contracts with the Owl Drug Co. (Of California) expired, the Company was faced with the alternatives of removing those agencies or extending its own retail chain to the Coast. Following reports of preliminary investigations by a vice-president and the sales-manager of the Liggett Company it was concluded that the interests of the United Drug Co. would best be served by expanding the Liggett stores to the new territory. (15)

The first Liggett drug store on the Pacific Coast was opened in Hollywood, California, on Nov. 1, 1925. Within ten weeks after the investigators left New York to study conditions, the Liggett Company had bought and reopened as Liggett stores a local chain of four stores. Afterward, carefully considering the local conditions and the standing of the established stores it purposed to buy, Liggett's purchased one store in Glendale; eight in Portland, where it also established a new store; seven in the East Bay district of Oakland, Alameda and Berkeley, and one store in Spokane. The Liggett company acquired 21 stores; closed four of them, and opened 20 new stores in cities along the Pacific Coast within 22 months. (16)

Liggett drug stores in 1925 numbered 310, an increase of 81 stores in four years. The Liggett company, therefore, was expanding at a relatively greater rate than the average drug chain in the four years with an increase of 35.3%. Many of the new stores were located in states Liggett's had not previously reached. Liggett drug stores

(15) Chain Store Age, May, 1926, P.24

(16) Ibid.

opened the Pacific Coast for the first time, and there were new Liggett stores in the south, particularly in Florida and Texas. (17)

In 1926, the United Drug Co. acquired complete control of the various units of the Liggett interests. The United Drug Co. took this definite operating position in the chain drug field on Feb. 15, 1926, when it became the direct owner of all the outstanding common and preferred stock of Liggett's International Ltd., Inc. Twenty-five per cent of the class "A" common stock of the latter company had previously been owned by the public. This remaining portion of the stock of the holding company brought complete control to the United Drug Co. of several plants, warehouses and 664 Boot Drug stores in the British Isles. Through a Canadian subsidiary, the United Drug Co. also acquired full ownership of 39 Liggett drug stores in Canada. (18)

At the beginning of 1929, chain store operations of the United Drug Co., under the holding corporation, Drug Inc., were briefly as follows: The Louis K. Liggett Co. operated 464 Liggett drug stores located in 34 states throughout the United States. In addition there were 36 Liggett stores in Canada. The Boot Pure Drug Co., Ltd., directly controlled by the Liggett Co., was the largest British chain drug system, with more than 800 drug stores. Also, the manufacturing interests of the Boot Co. not only supplied its own stores but conducted a general business in certain pharmaceutical products.

In 1929, the Owl Drug Co. (of California) operated 105 drug

(17) The Druggists Circular, Vol. LXXII, (Nov. 1925) P. 403

(18) Moody's Industrials, 1925, P. 2140

stores. The last report showed it to be the fourth largest retail drug chain in the country. While for many years this company had the Rexall agencies in California and elsewhere on the Pacific Coast, before 1925 the Owl company discontinued its agency agreement with the United Drug Co. Thereupon, since there were not enough Rexall stores in the far west to take care of that trade, Liggett stores were established on the Pacific Coast. These stores brought the Liggett Co. into business contacts with the Owl Drug Co. and after several months of negotiations these companies merged.

Announcement of the purchase of the Owl Drug Co. was made by the Louis K. Liggett Co. on Jan. 7, 1930. No details are available at this time, however, beyond the reported statement that no changes will be made in the products or managements of either company. This latest combination brings still greater resources in the manufacture and distribution of drugs and drug products to the controlling Louis K. Liggett Co. which is now more securely established as the world's greatest combined chain drug system.

When the United Drug Co. first entered the retail field directly in 1909 in establishing the Louis K. Liggett Co., one of its original by-laws expressly stated that no retail store would ever be operated by the Louis K. Liggett Co. in competition with a Rexall drug store. However, in Jan., 1930, announcement was made that a Liggett drug store would be opened in Madison. Liggett stores furthermore have been in business in many cities where there are also Rexall drug stores. In Madison there are three Rexall drug stores, each under different ownership. The coming of the first Liggett drug store to Madison will soon demonstrate whether the individual stockholder-

agents and the company's own local retail organization will cooperate to their mutual advantage.

operated by the largest companies:

in 1900

Chain drug stores in U.S.	less than 25
Stores operated by largest chains:	
Wm. B. Riker Co. (N.Y.)	4
Hegeman Drug Co. (N.Y.)	4
Owl Drug Co. (Calif.)	3

in 1905

Riker-Selton Co. (N.Y. & Brooklyn)	7
Hegeman Drug Co. (N.Y.)	6
Jaynes Drug Co. (Boston)	4
Hall & Lyon Co. (Providence)	6

in 1910

Chain drug stores in U.S.	
Riker	} -- total of 50
Hegeman	
Jaynes	
L.K. Liggett Co. (organized 1909)	26

in 1912

Riker-Hegeman Co.	107
L.K. Liggett Co.	60

	(1)	(2)	(3)
	1920	1921	1922
L.K. Liggett Co. (N.Y.)	511	529	543
Owl Drug Co. (San Francisco)	32	41	50
Kykrantz Drug Co. (Columbus)	30	34	34
Dow Drug Co. (Cincinnati)	23	22	24
National Drug Stores Corp. (N.Y.)	21	27	26
Walgreen Drug Co. (Chicago)	21	25	24
Marshall Drug Co. (Cleveland)	20	27	23
Miller-Strong Drug Co. (Buffalo)	19	25	20
Sun Drug Co. (Los Angeles)	17	24	29
Standard Drug Co. (Cleveland)	16	15	19
Clea Thistlewaite Drug Co. (Ind.)	--	24	24
United Retail Chemists (N.Y.)	15	18	27
Brownie Stores Co. (Detroit)	--	--	26
		(3)	
	1923	1923	1923
L.K. Liggett Co.	510	460	502
Walgreen Drug Co.	73	173	222
Owl Drug Co.	32	108	110
United Retail Chemists	29	60	
Dow Drug Co.		25	
Peoples Drug Stores	18	50	

(1) The Druggists Circular, Vol. LXXV, (May, 1920) p. 161.
 (2) The Druggists Circular, Vol. LXXVII, (Nov., 1922) p. 451
 (3) The Druggists Circular, Vol. LXXII, (Mar., 1923) p. 33

Figures showing number of chain drug stores operated in the United States and the relative increase in number of stores operated by the largest companies:

in 1900

Chain drug stores in U.S.	less than 25
Stores operated by largest chains:	
Wm. B. Riker Co. (N.Y.)	4
Hegeman Drug Co. (N.Y.)	4
Owl Drug Co. (Calif.)	3

in 1905

Riker-Bolton Co. (N.Y. & Brooklyn)	7
Hegeman Drug Co. (N.Y.)	6
Jaynes Drug Co. (Boston)	4
Hall & Lyon Co. (Providence)	6

in 1910

Chain drug stores in U.S.	
Riker)	
Hegeman)--	total of 58
Jaynes)	
L.K.Liggett Co. (organized 1909)	26

in 1912

Riker-Hegeman Co.	107
L.K.Liggett Co.	60

	1920 ⁽¹⁾	1921	1923 ⁽²⁾
L.K.Liggett Co. (N.Y.)	211	229	263
Owl Drug Co. (San Francisco)	32	41	39
Mykrantz Drug Co. (Columbus)	30	24	24
Dow Drug Co. (Cincinnati)	23	22	24
National Drug Stores Corp. (N.Y.)	21	27	26
Walgreen Drug Co. (Chicago)	21	26	36
Marshall Drug Co. (Cleveland)	20	27	28
Miller-Strong Drug Co. (Buffalo)	19	26	20
Sun Drug Co. (Los Angeles)	17	24	29
Standard Drug Co. (Cleveland)	16	16	19
Clem Thistlewaite Drug Co. (Ind.)	--	24	24
United Retail Chemists (N.Y.)	15	18	27
Brownie Stores Co. (Detroit)	--	--	25

	1925	1928 ⁽³⁾	1929
L.K.Liggett Co.	310	460	563
Walgreen Drug Co.	73	173	383
Owl Drug Co.	82	105	110
United Retail Chemists	29	60	
Dow Drug Co.		55	
Peoples Drug Stores	18	50	

(1) The Druggists Circular, Vol.LXIV, (May, 1920) p.161

(2) The Druggists Circular, Vol.LXVII, (Nov., 1923) p.431

(3) The Druggists Circular, Vol.LXXII, (Mar., 1928) p. 83

National surveys of the chain drug field conducted by "The Druggists Circular" show the increase in firms and the number of stores they operate:

	<u>1920</u>	<u>1923</u>
Total number of chain drug stores	1,563	2,014
Firms operating 3 or more stores	315	327
Ave. no. of stores per chain	4.3	5.3
Chains operating 10 or more stores	21	34
Total no. of stores these operate	545	837
Ave. no. of stores per chain	25.9	24.6

	<u>1925</u>	<u>1928</u>
Total number of chain drug stores	2,173	2,725
Firms operating 3 or more stores	320	328
Ave. no. of stores per chain	6.7	8.3
Chains operating 10 or more stores	34	40
Total no. of stores these operate	972	1,513
Ave. no. of stores per chain	28.5	37.8

Table showing the percentage of increase in the number of stores operated in the United States by the L.K.Liggett Co., chain drug store subsidiary of the United Drug Co.:

<u>Year</u>	<u>No. of stores operated</u>	<u>Ave. Increase per year</u>
1920	211	
1921	229	8.53%
1923	263	5.24%
1925	310	10.93%
1928	460	16.12%
1929	563	22.39%

CHAPTER VII

CONCLUSION - SOME INFLUENCES OF THE UNITED
DRUG COMPANY ON AMERICAN PHARMACY

The practice of pharmacy in the United States has not attained the degree of professional standing that it enjoys in certain older countries. Only some one hundred years ago American physicians as adjuncts of their medical practice owned practically all drug dispensaries. As the country developed, apprentices in these dispensaries became more independent, and instead of following their preceptors into medical practice, many pharmacists opened drug stores for themselves. Soon the practice of pharmacy passed into the control of men who had served their apprenticeships in drug stores under pharmacists, but these men failed to realize the great value of organization in building a strong professional foundation for American pharmacy.

As the practice of pharmacy shifted from the guidance of physicians over their apprentices to men who chose it as their life's work, the conditions in American life were constantly changing. The increasing demands of rapidly growing population have forced all business to develop at an abnormal rate, and in the rush to capture more of the great trade, retailers have observed no limits in the extent of their operations. In the face of new competition, druggists, without the strength of organization, have attempted in their own ways to increase sales by diversifying their original drug stocks. Seeking greater commercial trade, pharmacists in America have pushed farther into the

background each year the professional services to which they originally limited their practice.

In this commercialization the chain drug store movement is the greatest opposition to professional pharmacy. The chain drug store makes its profit by rapid stock turn, and this maximum selling at the lowest expense demands that employees must devote their time to improving their methods of salesmanship. By specializing in merchandising the chain drug store thus multiplies the competition that already faces the independent druggist. All druggists faced with the necessity of meeting keen competition are forced to improve their business methods and have little time to study pharmacy.

The United Drug Co. originally conducted only a cooperative manufacturing business with its druggist-agents. Fifteen years ago, through a retail subsidiary this company as the largest operator of chain drug stores took a positive stand in the chain drug store field. Today it maintains this supremacy by owning the greatest chain drug systems in America and England. And yet by controlling those chain stores through subsidiaries it has also succeeded in developing its agency plan into operation of the largest cooperative drug organization. Rexall druggists and the United Drug Co. chain stores have come into direct opposition in very few instances, although direct conflicts are avoided thus far by confining the chain operations to larger cities. The Liggett chain drug stores--more than 550 of them throughout the country--are a very active influence in swinging all druggists into the new commercial era of American pharmacy.

The United Drug Co. is aiding its own agents to compete on more nearly the same level with chain drug stores by offering them a wide range of products under exclusive trade-marks with coordinated sales promotion service. The company's agency operations are only a part of its activities, however, so it continues to improve its chain interests. By consolidation with Sterling Products, Inc. under the holding corporation Drug Inc., the United Drug Co. strengthens itself tremendously in the mammoth combination which ramifies into every corner of the drug field.

Retail pharmacy will become stronger commercially through the competition between chain drug stores and independent druggists in the elimination of many unsound business methods. As druggists become better merchants, however, they attain less in pharmacy. The United Drug Co. by banding together thousands of druggists in a cooperative organization and by the operation of the greatest chain of drug stores strengthens commercial pharmacy and opposes the development of professional pharmacy.

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(Statements of the Company's activities which are not credited in a few instances were obtained from information in pamphlets and the Company's house-organ.)

Carl [unclear]
Feb. 24, 1930

Approved Nellie Ackerman
Asst Prof of Pharmacy
Date Feb. 24, 1930