



# The Holy Grail of competition

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**'Enthusiasm is the greatest asset in the world; it is the difference between non-existence and excellence.'**

**T**he Holy Grail of competing against lowest price is valued customer service initiatives that improve customer health and lifestyle.

Since May 2010 this column has promoted the development of a customer service culture that adds value to the customer experience, instead of just reducing price and frittering away long-term competitiveness and financial viability.

Sure, KVI (known value item) pricing is an important tactic (despite few understanding how to do it effectively). But cutting prices in isolation, without building initiatives that the customer is willing to pay for, misses the point as it fails to deal with the core commercial issue community pharmacies confront: overheads running at about 26% of sales compared with genuine warehouse pharmacies (the lowest cost and price leaders) at about 15%.

## MUCH MORE THAN PRICE

Cespedes *et al* claim 'competing on price is ultimately a bet on your cost position'.<sup>1</sup> Because of higher cost structures, the very large majority of community pharmacies have little choice other than to compete on services and initiatives that matter greatly to customers.

From the customer's perspective, key elements of customer service are:

1. **knowing what I want and having it in stock;**
2. **helping me find the product I'm looking for without wasting my time;**
3. **providing information to answer my questions and help in making intelligent choices (via signs,**

**brochures, the pharmacist, other skilled professionals and the internet); and after you've done the first three right;**

4. **having friendly, knowledgeable people.**

A colleague who works in a city office related a recent pharmacy 'service' experience he'd had. It encapsulated all four of the key elements of customer service and highlighted how far community pharmacies have to go before reaching the service Holy Grail.

During lunch he visited three community pharmacies in the CBD to buy a S2 product. All were out of stock because of apparent manufacturer problems. He then visited the Chemist Warehouse (CW) website from his

office to find they had plenty of stock. On the way home he visited the nearest CW and bought two of the S2 products he needed, plus two other items.

As expected, he saved money. But he also noted that the service level was surprisingly good: a second pharmacist on the script-out counter was there to offer advice on the product and helped select the other two items, one of which was a S3 medicine.

This experience highlights that:

1. **CW delivered the four key elements of customer service;**
2. **my colleague will use CW more often because of the superior service;**

3. **CW's internet channel offered convenience; and**
4. **many pharmacy owners view good service differently to their customers.**

Customer service, as pointed out in a recent customer survey conducted by American Express, is vital in keeping and attracting new customers. The survey revealed:<sup>2</sup>

- **Australia is one of the least tolerant nations of bad service, second only to Mexico, with almost 90% ceasing business with a company following poor service;**
- **48% will allow two poor experiences before blacklisting a company;**
- **28% are only willing to excuse one service lapse;**
- **86% are more forgiving of poor service if they have generally experienced good service with the company over time;**

## ...CUTTING PRICES IN ISOLATION, WITHOUT BUILDING INITIATIVES THAT THE CUSTOMER IS WILLING TO PAY FOR, MISSES THE POINT

- **when bad service is received Australians are unlikely to provide direct feedback to the business; and**
- **96% are more likely to give a company repeat business and to speak positively about the company after a good service experience.**

## THE POWER OF GOOD SERVICE

Three fantastic and recent community pharmacy examples illustrate the power of this last point.

1. **A small pharmacy achieved a 38% retail sales growth (including S2/3) after removing the clutter, reducing open selling categories, tossing**

**out the gifts and then significantly increasing all the healthcare, medicines and vitamins categories.**

2. **A provincial pharmacy installed two new health services, promoted them to the community, resulting in November sales increasing 27% compared with same period last year. Script volume grew 10% thanks to the additional customer traffic.**

3. **A suburban pharmacy ran a senior's week health promotion that included:**

- pharmacists checking blood pressure and glucose levels and answering questions about medications;
- guest speakers providing in-depth information on continence, home health aids and skin care;
- trained staff cleaning and calibrating glucometers; and
- providing a medication list pro forma supplied by NPS to all.

This resulted in:

- 25 patients being referred to see their GP urgently;
- patients' delight with the pharmacist contact and their interventions;
- increase in sales and return visits; and
- many new customers being attracted to the pharmacy.

For these pharmacies the service Holy Grail is real and the resulting success creates enthusiasm to do more. Many pharmacy owners and groups obsess about the competition rather than obsessing about their customers and implementing initiatives that will reduce customer drift, attract new customers and build profitability. ■

1. Cespedes F, Shapiro B, Ross E. Yes, you can raise prices in a downturn. Harvard Business School Research and Ideas 26 July 2010: 2.
2. ACRS Retail Insights 31 October 2010: 2.