



Walking off the map

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Pharmacy collectively sighed with relief when the Federal Government's 12 May Budget did not contain the measures that had been 'leaked' prior to the Budget—measures that would have cut dispensing incomes. But judging from Minister Roxon's comments at the Generic Medicine Industry Association's conference on 19 May, there are more cuts to come based on her view that pharmacy incentives and discounts are too high and not being passed on to customers.

It's yet another reminder that the old profitability and competitive model has had it! It's time to move on and revolutionise the whole pharmacy offer.

But for many to go down that road means 'walking off the map' as Mallory and Irvine did in 1924 when they climbed Mt Everest to a height of over 28,000 feet above sea level, and perhaps even reached the summit.

RETAIL HEALTHCARE CAN BE A DESTINATION PROVIDED YOU DO IT AND NOT JUST SAY YOU DO!

To win commercially and professionally, many pharmacies have to explore new territory in both the dispensary and, in particular, the retail spaces.

The fundamentals of traditional community pharmacy are currently being delivered to a reasonable level of customer expectation. My view of this is depicted in Figure One.

In the graph, I view most pharmacies as meeting or almost meeting consumer expectations. But that's not good enough today because to compete (and satisfy consumers and government) all pharmacists—owners

and employees—must shift their thinking and aim to achieve a dominant position—a 'win'—in delivering service-oriented customer solutions: the Easy'EST' position (see my past two Retail Management columns). These must be valued by customers otherwise they will not come and will continue defecting to the warehouse model's Cheap'EST' offer.

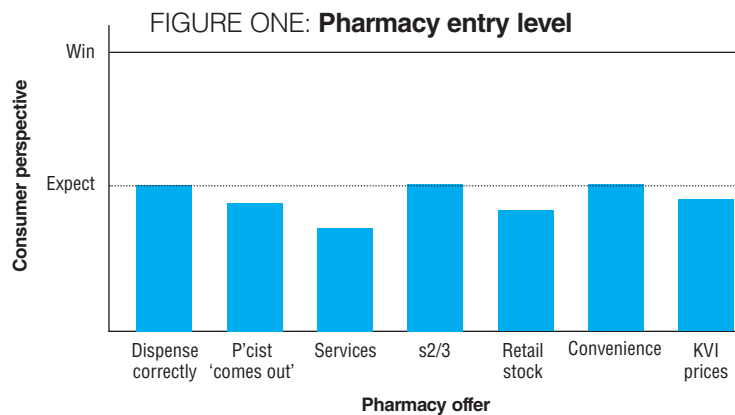
Furthermore, these must be delivered across the whole pharmacy, not just in the dispensary, including the medicines and other retail departments dominated by service-oriented customer solutions. Pharmacy will attract customers not focused on price by adopting the key elements of the Easy'EST' offer and these include:

- provides assurance;
- solves problems;
- information rich;
- knowledgeable employees; and
- efficient process.

So consider how your pharmacy interacts now with customers. Are these attributes actually delivered across the whole pharmacy floor space? Consider everything as if you were starting with a clean slate (last month's focus on delivering an Easy'EST' dispensary service may assist).

But all of the pharmacy must embrace the position, rigorously addressing the existing uncompetitive and unattractive retail space.

A number of our clients have made revolutionary change to the retail offer. It did require some hard decisions such as tossing out the gifts and jewelry and



other traditional but unprofitable lines.

Here is what one said after realising the Easy'EST' approach was the only way to go:

'The new strategy was to specialise in healthcare and stop trying to be a jack-of-all-trades. It hadn't worked for us in the past, so why should it work in the future? We had to develop a distinct point of difference.'

And they delivered, proven by the results for eight months ended 28 February 2009:

Sales growth	13%
Rx volume growth	10%
Customer no. growth	2.3%
Retail lines/transaction	1.3
Retail sale \$/customer	\$13.30
Net profit \$\$ growth	84%
Net profit/sales %	13%

The results outperformed all the JR Pharmacy 2008 indicators for similar pharmacies. Of particular note is the high net profit margin (including depreciation expense) which was only 8% the previous year and falling. The physical transformation of the store was incredible—merchandise, range selection, space allocations, signage,

traffic flow, information and colour.

But, the biggest change was the culture shift (owner, pharmacists and staff) away from reactive product supply and cutting a few prices to compete with the nearby warehouse pharmacy in the vicinity.

The key point is the pharmacy now attracts many new customers while retaining most pre-existing ones because the pharmacy has become known to them as the 'healthcare pharmacy' (a customer quote!). Yes, retail healthcare can be a destination provided you do it and not just say you do!

This is the great opportunity to differentiate the overall pharmacy offer at the grass roots store level. Adopting the Easy'EST' position radically differentiates a pharmacy from warehouse and supermarket, drives customers seeking answers and solutions (not lowest price) and is profitable.

But first, pharmacists and owners have to let go of the status quo and move away from trying to be everything to everyone while meaning little to anybody. That means 'walking off the map'. ■