



retail

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A cyclist's search for solutions

'...independent pharmacies see themselves as service providers with a retail element, rather than as retailers with a service element.'¹

Recently I fell off my bike and sustained some serious abrasions. My doctor could not see me for a week so I visited three community pharmacies seeking help on how best to treat the wounds. On each occasion I found the staff to be very pleasant but the range was highly variable and none of them could help me with how best to treat my wounds.

Frustratingly, I had exactly the same experience in 1998 when I last fell off.

I also needed to buy an anti-inflammatory and found on the first attempt that the pharmacy only stocked the generic version (obviously for margin reasons). And worse, the pharmacist in charge barely acknowledged me and wondered what my problem was because 'it's identical to the brand'.

The pharmacist from the next pharmacy I visited found the brand I wanted but then went off to serve someone else, leaving me standing while an assistant was nearby unpacking boxes.

So does it surprise you that 31 per cent of customers go elsewhere when faced with a stock out? (Source: Australian Centre for Retail Studies)

The result of these sorry tales was that my wife, a physiotherapist, managed to obtain some appropriate dressings for me. I finally found a pharmacy that would sell me my preferred bronchodilator and anti-inflammatory without interference and nobody, as usual, offered me an asthma management program. But I also discovered another six pharmacies I won't visit again.

Time to face the facts

The in-store pharmacy effort is focused on prescriptions throughput and margin percentage, rather than delivering customer solutions and outcomes that are then managed for profit. Perhaps individ-

ual pharmacy owners won't face up to these realities and don't know that dissatisfied customers are defecting to emerging competitors.

In the meantime, pharmacy's PBS prescription volume fell 0.8 per cent during the year ending 31 December 2006 and only generics discounts prevented net profits slumping.

In short, pharmacy owners have, by default, given away control of their future and are hastening the commoditisation of the industry without knowing it!

Is it any wonder so many customers prefer the cheap warehouse offer and buy more from the supermarkets?

According to the *AC Nielsen 2006 Pharmacy Report*, community pharmacy is losing sales in key retail categories. For example:

- Cold and flu—down 5 per cent
- Allergy and hay fever—down 3.9 per cent
- Baby—down 3.6 per cent
- Cosmetic skin care—down 6.1 per cent
- Vitamins and supplements—up 8.3 per cent
- Therapeutic skincare—up 6.5 per cent

Overall, total pharmacy retail sales grew only 1.1 per cent while pharmacy overheads, particularly wages, grew 5.4 per cent (JR 2006 averages).

By stark comparison, according to *AC Nielsen 2006 Grocery Report*, supermarkets grew sales in health categories including:

- Cough and cold—14 per cent
- Vitamins—10 per cent
- Incontinence—14 per cent
- Suncare—14 per cent

The health solutions approach

However, pharmacy sales growth is not uniform as low-cost competitors and the one or two sophisticated retail pharmacy groups are achieving growth while the rest are not.

As discussed last month, 'me too' pharmacies have two choices: either join the ranks of the low-cost retailer; or move to

a health solutions approach (*AJP*, Feb 2007, p50).

Very few will succeed as low-cost retailers because it's such a tough game to sustain. There is more opportunity as a solutions provider. But, to succeed owners must:

- create a store environment the customer enjoys;
- get pharmacists out of the dispensary to deliver health solutions;
- select health areas the pharmacy will become 'first choice';
- allocate most space and deepest ranges to these solution areas;
- look like you're 'in the business';
- remove clutter;
- educate the customer with information and shelf talkers;
- train staff and hire skilled professionals to provide advice; and
- allocate a team leader to make it happen.

Many of our clients are making the transition from the product supply/reactive model to the retail health solutions model. The results so far are excellent and the cultural change has been astounding, as evidenced by staff morale and customer satisfaction.

Community pharmacy agreements provide a stable environment for community pharmacy, but the viability of individual pharmacies depends on how well each pharmacy can compete in the marketplace for the customer.

Therefore, the attractiveness of your pharmacy's offer in the mind of the customer versus the competition will govern whether they choose your pharmacy or defect to another retailer, whether that be a 'me too' pharmacy, a low-cost warehouse pharmacy, discount department store or supermarket.

It's time to get out of the lounge chair and on your bike in pursuit of customer intimacy driven by retail health solutions.

1. R A Schmidt et al. Community pharmacies under pressure. *ACRS: Firstcut—August 2006*. ■