AIPM news

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Rotating the retail iceberg

CAN 'traditional community pharmacy' adopt retail and management attributes that define a sophisticated retailer (highlighted in my November 2002 column headed 'Getting the iceberg the right way up') to deliver a differentiated retail healthcare strategy relevant to consumers?

There's little doubt that the low cost/price operators and Priceline Pharmacy are already delivering these attributes in an acceptable model as evidenced by both pharmacists and consumers voting with their feet.

Grouping—size does matter

While some of these attributes can be adopted by owners of one or two stores, most of the benefits can only be delivered via group organisation—size does matter. In particular, systems development, marketing, cost reduction through efficient supply chain management, human resource management and retail management (for example, category management) can only be delivered by strong groups with a differentiated strategy. Importantly the delivery will only be effective if the individual pharmacy owner/managers comply strictly with the group guidelines. The trick is that the group strategy must be relevant to consumers in each store's market area and that the storeowners believe it! If so, they'll support it and pay the group fees because they will be successful.

Groups thus far

Many state-based and national pharmacy groups, including wholesaler banners, already exist. However, many are simply oriented towards location and product purchase. So, they are highly susceptible to environment changes including regulation, pricing and, above all, competition from the strong retail brands (such as Priceline Pharmacy) who can deliver a consumer relevant offering now!

However, some groups have begun to deliver, or are developing, a 'specialty retail healthcare' offering supported by strong retail management and local store compliance. But, success depends on one thing: will consumers care about it? If so, will they care enough to pass several other pharmacies to get there? They certainly do in the case of the low price and Priceline (discount brand) pharmacies.

Unfortunately, current regulation does not allow grouping and a corporate group approach in all states. The combination of corporate ownership and significantly increasing the number of pharmacies a pharmacist may own is one of the few avenues available for pharmacy groups to develop and deliver differentiated, value-added and cost effective healthcare services to consumers.

The point is, the costs of maintaining these structures are enormous, risky and cumbersome. The Wilkinson Report and the reply from the Council of Australian Governments support these principles.

Challenge to the banner groups

Retail banner groups are a base from which pharmacists can build these retail strategies and support systems. The big challenge is for the banner groups to develop a differentiated and consumer-relevant specialty retail healthcare strategy that the members believe will offer them a strong format to win against any competition. The existing script and product-push paradigm used by most pharmacies will lead to decline of the business and reduction in banner group membership if persisted with long term. I am astonished at how often I see a product given best plan-o-gram shelf position because of the GP%, rather than whether the product will sell well compared with another.

Looking in the wrong direction

There's no doubt the Pharmacy Guild of Australia has done a great job of maintaining regulation and, thus, the profitability of community pharmacies. However, while the national peak body focus has been almost entirely on regulation and technical issues, the aspects that will save community pharmacy have only been given a low priority. This subject may become important to pharmacists if seriously promoted at national level. So, when effective retail strategies are offered by the focused groups and the banners, they may seriously consider joining.

Even the Quality Care Pharmacy Program (QCPP) initiative, as fine as it is, may not deliver the creation of a differentiated retail strategy and effective below-the-surface support systems, efficient supply chain management, and so on. That's because many pharmacists implement it largely in operational aspects, rather than considering the deeper questions that should be posed if the planning and strategy issues (implicit in the whole customer-driven QA process) are properly addressed. QCPP is not the answer—it is a means to the answer.

Sadly, the owners are looking in the wrong direction for threats to their business. That is, they see government, Coles, Woolworths and so on, as the problem and the Guild as 'Prince Valiant' successfully keeping them at bay.

There are three components to ensure the survival of 'traditional community pharmacy'. First, pharmacy must be allowed to re-organise itself through changes to the archaic structure and number restriction regulations. Second, individual pharmacists must place importance on the commercial. Third, retail management aspects and groups, including the banners, must develop winning consumer-relevant retail strategies.

Pharmacy is on the edge of a wonderful opportunity to start rotating the iceberg right now! If so pharmacy will truly be at the beginning of a golden age. ■

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