



# retailing

retail management

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## Let's get it back!

AT the time, I couldn't believe what I had just heard! While attending a recent pharmacy conference, Peter Robinson, chairman of wholesaler Australian Pharmaceutical Industries (API), told delegates that the key strategy of its recent purchase of New Price Retail (NPR and formerly New Clicks Australia) was to provide a customer-relevant retail offer.

After blinking twice I realised that, indeed, the merger would be terrific for both retail pharmacy and pharmacy owners because the bar of pharmacy retail management and customer offer was about to be raised.

To date, wholesaler banners have largely only been conduits for supplier products pushed through the supply chain to customers who may or may not want them. Little regard was given to the particulars of a specific market demographic, what customers actually want/need from a community pharmacy in that market and the profitability of retail shelf space and stock (the returns on which are appalling).

Owners and wholesalers have managed to get away with this approach because of the very high returns generated through PBS dispensing which, of course, has been possible thanks to regulation.

International management consulting firm, McKinsey and Co, has published data in its online subscription newsletter, that proves where there is little or no differentiation between the members of an industry, gross profit margins fall alarmingly! Where there is no difference, price is the only determining factor of customer relevance.

That's why we have seen the emergence of the low-cost, low-price pharmacy retailers; those proffering the perception of low price, without having low overheads, while the rest of the industry think they must follow suit to avoid extinction.

That doesn't have to be the case. But, it will if pharmacists and the industry continue with the existing product supply paradigm and obsession that prescriptions are the start and end of what they do! The entire business of retail pharmacy is what

it's about and that will only become more evident due to competition and falling PBS remuneration.

Here is more graphic evidence demonstrating the result of pharmacy owners ignoring the retail offer and customer relevance (see graph opposite).

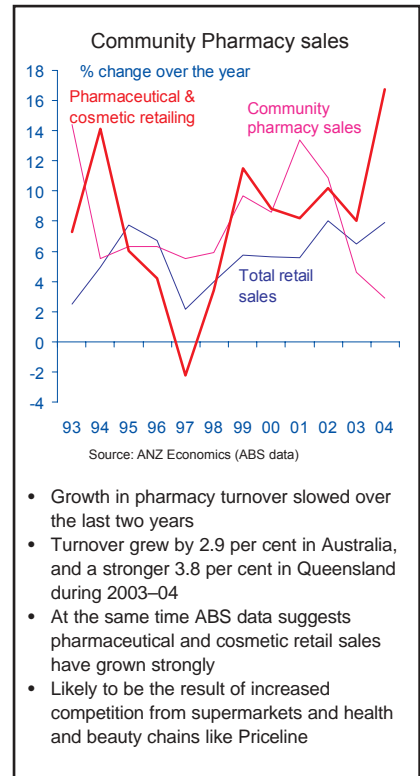
The graph tells us that the total pharmaceutical and cosmetic retail market grew 16.6 per cent during 2003/04 while total community pharmacy sales grew 2.9 per cent. This means that the competition, including supermarkets, discount department stores and specialist niche retailers, has stolen the march on community pharmacy and, proves that the focus on only prescriptions does not grow the business if script growth is low.

Add to that the impact of lower PBS remuneration, which is very possible in the next Community Pharmacy Agreement, and the effect of the many molecules coming off patent in the next three-to-four years. The solution is 'specialty retail healthcare'.

Recently a friend of mine (not a pharmacist) was visiting Sydney en route overseas and happened to visit one of our client pharmacies. He had a particular health condition and needed to have a script filled. The experience exceeded his expectations because, in addition to having the script filled, the pharmacist provided some collateral assistance.

She provided advice on the drug and his condition that he hadn't received at his regular pharmacy and discovered there was something else he needed that he, hitherto, hadn't been aware of. And the pharmacist advised how to reduce the impact of jet lag and sold him several products to help.

My friend went into the pharmacy with a want. The pharmacist identified several needs and provided solutions leading directly to several important outcomes relevant to the customer. And through the sale of high margin products the pharmacy owner got paid. That is Specialty Retail Healthcare.



So if your pharmacy has been feeling the effects of competition and low front shop margins, get out of product supply only and get into understanding how you can be relevant to your customers. Price-line Pharmacy is relevant to customers in certain demographics and to some pharmacy owners. But, by no means does it suit all circumstances.

We have been working with several owners who have changed their approach. They are working to provide a differentiated, customer-relevant healthcare offer, fine-tuned to the specific healthcare needs of market catchment area. So far the results have revealed that they are getting back some of the retail markets they had given away in the past.

Remember, in a vacuum where nothing else is offered, price becomes the determining factor and the sophisticated retailers will win that game, with or without de-regulation. ■

