



## Sun Tzu: know yourself, know your enemy

*'KEY to growth, even survival, is to stake out a position that is less vulnerable to attack from head-to-head opponents.'*

—Michael Porter, *Harvard Business Review*, July–August 1997.

The very great majority of pharmacy owners don't know what they don't know about many things commercial, particularly when it comes to competition. And because owners don't know, they don't observe or collect the data, even today under the most competitive of circumstances.

That means many pharmacy business decisions are made in ignorance and, more often than not, on the basis of cost alone to justify not doing something rather than considering cost as an investment that will deliver a long-term benefit.

*'Market changes over short periods are so small as to be imperceptible to [pharmacy owners]. But, changes over the end points are devastating.'*

—Doug Tigert, *Tigert's 22 tiny retailing tidbits*, Babson College, Massachusetts.

Welcome to 2005 and the reaching of an 'end point'. Sophisticated retailers are now competing aggressively with the traditional prescription-based community pharmacy offer.

Competitive pressure has been building for years. During this time, the unfortunate reality is that pharmacy has been satisfied with concentrating on dispensing at the expense of innovative retailing of a balanced healthcare offer.

Protection has encouraged pharmacy to largely become a convenience business and, in the process, it has given away massive slabs of retail business. That's why only 20 per cent of industry sales are generated from non-pharmacy lines that occupy 85 per cent of very expensive floor area space!

It might reinforce the Pareto Principle but it doesn't make business sense.

I call these pharmacies 'me-too'

because they all look the same, offer the same products, are convenience-based and exhibit almost identical financial performance regardless of the banner.

### Moving away from 'me-too'

However, I'm pleased to say exceptions have emerged in recent years in the form of a select few sophisticated retail pharmacy groups with a strong customer-relevant offer. The retail groups are gaining more prominence and giving the supermarkets and others some stiff competition. Of course, in the process they are taking business off the 'me-too' pharmacies which have become sitting ducks by 'not knowing' and, hence, not competing.

So if pharmacy owners want to be viable, they must understand who they are competing with including those that are not pharmacies (supermarkets, discount department stores, niche health retailers and so on) and those that are. These include warehouse pharmacies, strong suburban centre pharmacy retailers (there are few), local niche offers such as weight-loss specialists, online and so on. 'Me-too' pharmacies are competing with every pharmacy that has done something different and that difference is highly important to a significant number of customers.

Chances are you belong to one of the 80 per cent of pharmacies in the 'me-too' category. It's important that you find out who your competition is and how they compete with you for the customer dollar in your specific market place. Know your enemy.

At the same time evaluate what your offer is and figure out honestly how you actually compete with these strong competitors. Or, more likely, how exposed your business is. Know yourself.

Please don't be satisfied with saying: 'I compete through superior service' (refer to my October article, 'We're a Weird Mob'), and 'my customers only shop with me and never go anywhere else', because

we know from customer research that 50 per cent of pharmacy customers visit at least two pharmacies.

### Evaluating the competition

*'The [pharmacy] retailer that fails to build a tracking/monitoring system for evaluation of consumer and competitive trends in its market will find out too late that it's in trouble.'*

—Doug Tigert, *Tigert's 22 tiny retailing tidbits*.

In conducting a competitor evaluation ask yourselves these questions in relation to all competition:

1. Do I win? If so write down how you win.
2. By how much do I win? By a little or a lot? Winning by a lot entails drawing customers from a wider trade area who are prepared to travel past several pharmacies in order to visit your store.
3. Am I winning by more or less than the year before? That is, assess momentum and direction. Customer numbers and gross profit dollar growth are good indicators.
4. Does anyone (customers) care about the areas in which I think I win? That is, customers decide store choice. The top three drivers of store choice are location (convenience), price and merchandise range combined with expertise. Customers who choose to shop at the larger format/low-price warehouse pharmacies and so on will trade off convenience in order to get lower prices and wider range of stock.
5. Is it sustainable?

Know yourself, know your enemy.

*'There's always somebody who wants your place. Someone coming up who's younger, stronger and hungrier. I stay nervous and hungry.'*—Lance Armstrong on staying motivated.