



retailing

retail management

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The experience counts

‘Retailers who view store design as an expense, rather than as an investment in competitive advantage, probably do not understand the consumer store choice process for their retail sector.’

—Tigert’s 22 *Tiny Retailing Tidbits*

Store choice decided by customers is based on various criteria ‘We’re a Weird Mob’, *AJP* October 2005’. They make trade-offs when making that decision and involve combinations of the three prime drivers of store choice: Place (convenience); Price; and Range.

Those customers who choose to shop at a volume retailer such as Chemist Warehouse trade away convenience and the in-store experience to get the lowest price and widest range of product. On the other hand, in order to compete the specialty retail healthcare pharmacy must build a terrific in-store experience in a highly convenient location.

Unfortunately, while most pharmacies are convenient, the great majority offer anything but a terrific in-store experience. So, pharmacy owners must start demanding much improved store formats that aren’t cluttered, are accessible, have clear sight lines to the power categories, are designed to encourage customers to shop the whole pharmacy, the retail design must be interesting, signage is clear and so on.

Some designers in search of these criteria just create retail spaces that are neat and tidy but don’t work.

Does your pharmacy talk to the customer?

The bottom line is the store must ‘talk to the customer’, as retail specialist Hilary Kahn says (see ‘It’s easy if you actually do it’, p56). Almost all pharmacies look the same, stock the same products, do the same things and try to be everything to everyone. So, in the customer’s mind, that means the only differentiator is price,

which leaves these pharmacies open to attack!

Fortunately some pharmacy groups have created excellent differentiated in-store experiences. Examples include, but are not exclusive to: Terry White Chemists in shopping centres, Priceline Pharmacies in strong strip/neighborhood locations, and the new Chemmart community healthcare concept store launched recently and the new Fulllife concept.

Creating an in-store experience appropriate to the customer base, with the image you wish to convey must first involve preparing a plan setting out the three key elements of size, location, and layout and design, whether a volume or specialty healthcare retailer.

Size

Size of a pharmacy’s floor space is determined by several factors:

- Merchandise range decision:
 - ▶ How many product lines (SKUs) do I need?
 - ▶ What power categories (for example nutrition, cough cold, quit smoking, beauty)?
 - ▶ Differentiated ranging not the same as found in competitors.
 - ▶ Size of everyday categories.
- Stock intensity: How much do I need? Work out stock/m²—is it too cluttered, or is it too sparse? Get the balance right.
- Market size and expected growth rate.
- Cost of rent and fit out (over pay for the best location).
- Sales/m². Too low=high overheads percentage and, hence, low profitability.

Location

Adjacent or in close proximity to traffic generators such as supermarkets, doctors, bakery, post office, newsagent, green grocer and so on.

Whether located in a major shopping

centre, neighborhood centre, strong strip or medical centre, the pharmacy must be well positioned within those precincts.

Watch new store openings in markets where the distance between stores is small and only consider if existing stores are maxed out and the market is growing. Sales/m² is a critical determinant.

Layout and design

Must reflect the style of pharmacy business you’re in. Allow ease of entry, access to power/signature categories, access to specialist staff including pharmacist(s), whole floor area trafficked, easy access and sightlines, clear signage, and represent a clear statement of the business you’re in from the customer’s perspective.

The quality of the shopping experience is a major determinant of customer store choice and particularly so for retail healthcare pharmacies as opposed to the volume retailers.

The three elements should be used to create a plan for a fit out or refit to deliver a customer experience that is different, enjoyable and encourages customers to return.

Next month we discuss merchandise selection and ranging.

Retail Trends: (Source: Australian Centre For Retail Studies—Retail Trends January 2006)

Retail Sales: January 2006 versus January 2005:	
Total retail sales - Australia (all retailers)	4.4%
Pharmaceutical, cosmetic and toiletry	5.0%

Consumer confidence February 2006 compared with:	
January 2006	up 0.2 points
February 2005	down 7.5 points

Pharmaceutical, Cosmetic and Toiletry sub-sector experienced yearly growth of 5 per cent, the first positive growth since February, 2005.

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