



Are you ready for climate change?

'What's regularly missing...is the spark between the customer and frontline staff members—the spark that helps transform wary or skeptical people into strong and committed brand followers. That spark and the emotionally driven behaviour that creates it explain how great customer service companies earn trust and loyalty during "moments of truth": those few interactions when customers invest a high amount of emotional energy in the outcome.'—

McKinsey Quarterly, 8 March 2006
Premium Edition

MOMENTS of truth' occur on a daily basis in every pharmacy around Australia. That's the moment when the result of the effort and investment depends on what happens when the staff and customer interact. You and your staff determine whether the word 'service' actually has any value and the resulting impact on profit.

It all depends on the climate of your business. In other words, what is it like to work and shop in your store?

When I walk into a pharmacy, staff attitude tells me whether staff are valued or merely seen as an overhead to be minimised. Too often it's the latter. If the store working climate is negative, how do you think the staff will treat your customers?

An example is one of our well located city suburban pharmacy clients which continues losing customers (down 6 per cent), retail margin 26 per cent, irrelevant stock selection and rapidly increasing wage overheads. The result—net profit (EBIT) down 26 per cent. But while 'Rome burns' the owner pharmacist is out the back getting the scripts done. There are many pharmacies like this and they provide easy pickings for the warehouse pharmacies and supermarkets.

Customer choice

However, customer store choice in itself isn't determined by service per se. The key drivers are still price and value. 'There

may be a retail sector for which price/value leadership is not one of the two most important determinants of store choice...I just haven't found it yet.' (*Tigert's twenty-two tiny retailing tidbits*—tidbit no. 16)

Furthermore, as I pointed out in my October 2005 *AJP* article 'We're a weird mob' (p827), customers view service differently to retailers. In a UK survey supermarkets were judged the best by a long way to second placed pharmacy.

Sub-optimal community pharmacy working climates have created the 'four-wall syndrome'. Pharmacy owners don't know what they don't know and, therefore, don't observe what's going on, nor do they collect data. So the result is singular decision-making criteria based on cost.

Maximise investment in staff

Therefore, many pharmacies (and one or two notable groups) view wages as an overhead to be minimised rather than an investment to be maximised. Does it make sense running wages/sales percentage (including working owner) at 10 per cent or less, when the warehouse pharmacies and supermarkets operate at circa 9 per cent? Pharmacy is supposed to be differentiated by high service levels, isn't it?

Therefore, to have any hope of competing against the product/price merchants, it is essential that community pharmacies maintain their margins and justify them by positioning themselves as high-value operators where quality of advice and retail presentation differentiates them.

Pharmacy owners must lift customer service levels by investing in staff skills/knowledge that relate to the signature or power categories decided on in merchandise strategy (refer to my May 2006 *AJP* article, 'It's not just about the product', p86).

That's the response that community pharmacy needs because it's critical to understand that customers desire information about their medications and solu-

tions for their conditions. The mass merchants can't deliver these things and, by engaging the customer, pharmacy will place more meaning into the word 'service' than ever before.

So remember, service means more than just having people in the store because, let's face it, so do supermarkets and warehouse pharmacies.

Engaging with the customer

But if staff are expected to engage with the customer, owners must facilitate an in-store climate where they engage with the staff. 'A high level of employee engagement will offer [pharmacies] a distinct competitive advantage' (*PWC Retail Outlook 2006*. Are you engaged? p31).

There are several ways to achieve this, including the following three which were sourced from *PWC Retail Outlook 2006* p37:

- Determine what motivates your employees to deliver a superior customer experience...ensure your employees feel involved in running and improving the business.
- Define what will engage and inspire your employees to consistently create an exceptional experience for every customer.
- Quantify the impact that employees and customers have on your...results so you can ensure you are focusing on the right employee and customer initiatives.

We need a better in-store climate for staff and customers. But it's up to the owners—the weather-makers—to drive this change ■

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

Retail Sales: April 2006 versus April 2005:	
Total retail sales—Australia (all retailers)	7.4%
Pharmaceutical, cosmetic and toiletry	4.0%