



retail

retail management

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Learning to mine salt

SALES of salt in grocery grew 13 per cent in the year ended 31 July 2006 according to the AC Nielsen Grocery Report 2006. And what has this got to do with pharmacy?

By digging further into the AC Nielsen report I discovered why the sales improved: '...grinders adding value, plus growth in sea, lake and natural salt'. So, the range has been extended by supermarket category managers.

This example raised several important issues and lessons which we can apply in community pharmacy.

Customer behaviour

According to various nutrition experts, sea salt contains many trace elements and minerals which can benefit health, including as a supplement taken during physical activity to help replace minerals lost through sweating, reduce the prospect of cramping and aid hydration.

For example, I use sea salt during and in training for triathlons, and many other people may hold the same view. The supermarket category managers have capitalised on the opportunity.

In my October 2005 *AJP* article, 'We're a weird mob', I discussed the importance of pharmacy owners understanding and responding to rapid customer behaviour changes. Unfortunately, many pharmacy owners fail to heed the response from customers:

'Please stock what I want to buy, not what you want to sell me, otherwise I will have to go elsewhere. You make it too hard to shop here.'¹

Owners of such pharmacies will pay the price from falling sales and shrinking net profits. This is because their community pharmacies are helping to commoditise health products by focusing on product at a price, which simply encourages customers to choose every-day-low-price warehouse pharmacies and supermarkets in preference. The exceptions to this include those few community pharmacies which have a genuine customer-relevant

offer, such as Lynette Dupuy's pharmacy in Mackay, winner of the 2007 Pharmacy of the Year.

We know community pharmacies haven't responded to changes in consumer behaviour because most pharmacy retail spaces continue to be dominated by lines that customers don't buy in the pharmacy channel. Yet products that they do want, such as vitamins, therapeutic skin care and medicines are often minimised, poorly ranged and badly located.

Another example is the proliferation of private label; and yet according to *AC Nielsen Retail Pharmacy OTC Report 2006*: 'Within the pharmacy channel, private label has yet to establish its presence...Experience affirms that innovative new products that command premium pricing are still the crucial element in ensuring healthy sales growth and category development.'

Range extension

Not only did supermarkets add sea salt, they also broadened the range with lake and natural salt, plus extended the category by adding salt grinders.

That move talks to the healthcare solution approach I have promoted to the pharmacy industry for many years as the way to revolutionise pharmacy's customer offer.

Hilary Kahn has made an art form of building healthcare solutions for community pharmacies.

One good example is the 'Aching Joints' category which includes traditional glucosamine with chondroitin, fish oil, complementary and pharmaceutical anti-inflammatories, analgesia and a range of premium priced items such as heat pads and rubs. The points of difference are the extended range, the skills of the staff and the information contained in the solution fixture: it's the total solution to their ailment.

Added to that are the cross-selling opportunities into weight loss and vice versa, plus cross-selling from the dispensary

and the medicines counter where anti-inflammatories are sold or dispensed.

Grocery does this well in their health categories by using shelf talkers containing health tips that cross-sell over to other categories.

Growing the average sale

No doubt grocery achieved a higher average sale in the salt category because of the extended product range. When combined with more customers and volume of units sold, it's easy to see why sales grew 13 per cent.

Pharmacy can do this too and, in fact, must do so as the average retail sale per customer is very low at only \$11.37 (retail sales only divided by all customers who bought something, not only retail customers) according to our 2006 client base series.

However, our Terry White Chemists and Priceline clients outperformed the traditional pharmacy average sale by 32 per cent!

In the case of the Aching Joints solution category, the average sale target is \$80 with the number of lines per transaction target of four. That is why several pharmacies doubled their sales of arthritis-related lines using the solution approach.

The salt sales achieved by grocery reflect one of Hilary Kahn's telling one-liners: 'Great retailers act as a buying agent for their customers'. And if we think about it, category management is about developing categories that reflect all customer needs in specific tight demographics.

Failure to adopt this approach will enable warehouse pharmacies and supermarkets to continue rubbing salt into pharmacy's wounds, which are characterised by an irrelevant customer retail offer, falling script and customer numbers and shrinking profits.

1. Source: ACRS Retail Register July 2005. Human Values in Business. ■

