



Whole lot of opportunities

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‘During a period of increased competition and lowered sales, brands that have successful propositions and offer an engaging shopping experience will come out on top.’¹

Now is the perfect time to take advantage of opportunities to be smarter about how you operate your pharmacy. Many are already battering down the hatches and applying negative tactics of cutting wages, marketing, stock levels, capital expenditure, plus cutting prices to ‘compete’. All of these have one thing in common—they are guaranteed to cut sales and profits.

Pharmacy should take a positive view because customer healthcare needs are far less discretionary than items like flat screen TVs, gifts, fashion, jewelry. Next commit to implementing business success initiatives and survive what might be a prolonged downturn. These include improving staff skills, refreshing the shopping environment, hiring a retail manager or an expert in a specific healthcare field, revolutionising the dispensary, re-orientating the confusing merchandise offer, and adding an online channel.

However, the biggest initiatives are those that will ensure you can compete with the warehouse pharmacies and supermarkets in attracting and retaining customers. How well you do this can make or break your business during the downturn. Simply cutting costs won’t do it, nor will the Guild – that’s not what you pay for your membership for.

The big two business-changing initiatives smart pharmacy operators embrace are:

1. **Re-engage customers²**
2. **Redefine the business²**

RE-ENGAGE CUSTOMERS

‘In good times businesses too often take their customers for granted and tend to develop business systems...that are good for the business but...less considerate of customers. Customer service is not just about saying “can I help you”, “how are you today” or “thanks” at the end of a transaction...You need to understand your customers and demonstrate empathy with them, a clear appreciation of their needs, not just in buying products but in feeling a little or a lot better about the whole...experience.’²

REDEFINE THE BUSINESS

‘...it is easy to get sloppy about business disciplines and to try to be all things to all people. When market conditions are tougher, it is important to review what you have been doing. What is the retail offer, the point of difference of the business? Who are you trying to serve and where do you want to take the business in the future? What is the business supposed to deliver its customers, owners, staff and suppliers?’²

And finally, what value is your pharmacy delivering to its largest source of income, the Federal Government? Now is the time to deliver customer healthcare and outcomes rather than just saying it. It works when you do it.

THE WHOLE OFFER

One company who successfully engages customers and defines

TABLE ONE Whole Foods Market results ending Sept 2008.
www.wholefoodsmarket.com

	2008 \$m	2007 \$m	Increase %
Sales	7,954	6,592	20.7%
GP	2,707	2,297	17.8%
GP%	34%	34.8%	
COBD Net (overheads)	2,198	1,813	21.2%
COBD Net (overheads) to sales %	27.6%	27.5%	
EBITDA	509	484	5.2%
EBITDA to sales %	6.4%	7.3%	

their business is Whole Foods Market (WFM) which competes in the US supermarket industry and was ranked 47 in the top 50 most valuable US retail brands of 2008. It competes for customers in the same market as Wal-Mart and Costco whose warehouse every-day-low-price strategy has decimated almost all direct competition in their trade areas. WFM results for year ended September 2008 are summarised in Table One.

The key point about WFM is it targets a very different customer away from the lowest price competitor and with a very high quality offer. According to Goldman Sachs November 2008 Company Updates, ‘the store experience is still very differentiated...’ and ‘...even sales of higher priced organic food products are likely to hold up well, since they are part of a healthy lifestyle.’

WFM customer offer is based on:

- very high service levels;
- staff expertise that delivers meaningful and expert advice;
- high quality store environment and traffic flow;
- convenient locations; and
- high quality organic and natural product range targeting specific customers.

Of course this offer requires a high-cost platform and is why the gross margin is 34% compared with, for example, Wal-Mart’s 23%.

I have visited many WFM stores as a customer over the past six years and found the experience, product offer, quality, service levels and environment to be highly differentiated, enjoyable and relevant to my needs. Who would have thought that a supermarket could be such an exciting place?

Key takeouts for pharmacy owners:

- It is possible to compete on points other than price.
- The WFM ‘customer offer’ has features relevant to the majority of community pharmacies.
- Focus on customer outcomes and not only product supply.
- Justify high margins with a high quality and relevant offer.

Owners who are simply satisfied with the tired old strategy of processing the scripts competently while cutting costs will, at best, struggle during the downturn. Those who move to a customer-relevant and high-quality offer will remain viable and even flourish. ■

References available on request