



What's going out the front door?

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'If something cannot go on forever, it will stop.'¹

There is a view around community pharmacy that deregulation is not a significant threat and the industry is in a good position to ensure supermarkets won't get pharmacy. That may well be possible in the case of dispensing and OTC schedules but owners should still be concerned.

Pharmacy pays a lot for rent, fit out, wages and marketing to maintain and sell 'sundry' department lines that the competition is removing out the front door while everyone worries about retaining what's at the back.

The reality is, while pharmacy continues its work retaining these, online and supermarket channels are removing large chunks of market share in almost all other departments.

COMMUNITY PHARMACIES ARE CAUGHT IN THE CROSS-FIRE, RESULTING IN COLLATERAL DAMAGE TO RETAIL MARGINS AND CUSTOMER NUMBERS.

Of real concern is every pharmacy owner and pharmacist I have spoken with appears blissfully unaware of what's going on, so aren't responding.

Of even more concern, very few owners have actually been to a supermarket to see the new Coles health, beauty and baby department to gain an understanding of what they are up against. From the two photos, you can see what the Coles department used to look like, and what it looks like now. Woolworths is already implementing similar plans.

The change is impressive. The offer excels in a number of ways:

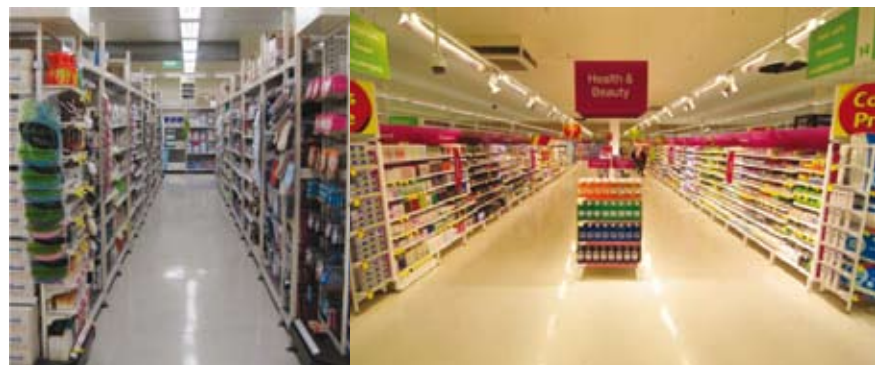
- prominent and easily located department;

- large floor space allocation;
- large shelf linear metre allocation (I counted 400 shelf linear metres in two I visited last month);
- plenty of space between the gondolas allowing easy access and sight lines;
- terrific signage and category delineation making it easy for customers to find what they want;
- excellent and appropriate colours plus good lighting;
- brilliantly merchandised with high stock density/intensity, big facings of the brand leaders and stocking what customers want to buy. No stock-outs;
- strong offer in beauty/cosmetics, baby, vitamins, medicinals, first aid, NRT, skincare, haircare, men's products, dental care and the list goes

- on. It resembles a pharmacy without the dispensary;
- good adjacencies including baby nappies and formula next to the sundry lines; and
- low prices well promoted.

Understanding your competition is critical and I urge pharmacy owners to visit the offer because there is a lot to learn that will help short and long-term plans. And make sure you visit Chemist Warehouse if you haven't already experienced their offer.

To raise the competitive temperature even more Coles and Woolworths are in the midst of a price war that also has pharmacy in



▲ ABOVE LEFT: The Coles health, beauty and baby category before the revamp; ABOVE RIGHT: The Coles offer after the revamp.

its sights, especially the warehouse pharmacy retailers and one group in particular. Traditional community pharmacies are caught in the cross-fire, resulting in collateral damage to retail margins and customer numbers.

And the strategy has customers reacting positively. Coles' sales growth data (see Figure One) obtained recently demonstrates significant growth success from the previous year's performance.

To start slowing the impact of leaking sales and customers:

- first, understand what your pharmacy is losing in the retail departments by comparing sales and customer numbers with the previous year;

FIGURE ONE: Coles growth for four departments from one year ago

Department	Growth %
Vitamins	23.3
NRT	21.1
Wound & 1st aid	45.5
Medicinal	38.9
Total	35.9

- second, review the merchandising mix and alter it based on departments where pharmacy can compete by adding value; and
- third, develop a one-page strategy and action plan outlining what you and your team will do about it, addressing merchandise mix changes, service quality, premises format, skill sets and what your pharmacy will stand for.

A key part of that plan is to expand and leverage the skills of the pharmacist(s) in engaging the customer and delivering valued health solutions. Pharmacists are pharmacy's most significant yet most under-utilised asset because they are mainly regarded as an overhead to be minimised, with little attention for cost versus productivity.

Next month I will suggest ideas that: address competitiveness; provide customers with a valued healthcare service, offering the pharmacist greater professional and financial reward; and driving the pharmacy bottom line. ■

1. Stein H. The Economist, 19 March 2011: p15.