



# Blockbusters beat price

Bruce Annabel, pharmacy business adviser and Adjunct Professor of Pharmacy Management, QUT. [bannabel@jr.com.au](mailto:bannabel@jr.com.au)

## THE BLOCKBUSTER RETAIL HEALTH SERVICES MODEL ATTRACTS MANY CUSTOMERS FOR REASONS OTHER THAN LOWER PRICE.

**P**harmacies I work with who implement blockbuster retail health services departments deliver a customer experience that can make price irrelevant.

Health solutions that create customer lifestyle improvements separate these pharmacies from the rest, including warehouse and supermarket models. This crucial element can help make these pharmacies viable and sustainable, transcending the 'perfect storm' issues impacting pharmacy (see 'Creating a commercial buffer', *AJP* August 2011).

These innovative pharmacies target specific customer health demographics by combining:

- **separate floor space allocation with serving and consulting counters;**
- **dedicated wall and gondola shelf linear metres;**
- **all the products and information;**
- **skilled experts who deliver the service; and**
- **marketing to the targeted demographic in the community via in-store and local area marketing including online.**

The objective is to deliver a high-quality health outcomes service that these customers treasure and can't get anywhere else. These pharmacists have demonstrated they 'really understand the difference between customer service (which is cost of entry for any retail business) and customer experience. There is a

difference, and it is important.<sup>1</sup>

A critical point when considering this idea is to comprehend that the blockbuster health services concept attracts customers to the pharmacy:

- **without having to resort to price;**
- **by differentiating the offer compared to traditional pharmacies, warehouse, discounters;**
- **creates business elsewhere including the dispensary; and**
- **improves profitability.**

According to recent research, 'rational and emotional evaluation systems' affects customer shopping behaviour.<sup>2</sup> It suggests that those who concentrate on the rational side—cheap prices—force the customer into a shallow intellectual comparison, while the 'emotional connection to the product is eradicated'. Commoditisation rapidly leads to margin erosion as the shoppers simply seek the cheapest price.

This 'plays into the hands of its online competitors', including warehouse and supermarkets. The majority of pharmacies have fallen into the trap of emphasising the 'rational' side of the customer decision process that is causing margins to spiral down—particularly in the retail departments—that will further expose the fragility of the community pharmacy model as weighted average disclosed pricing (WADP) cuts begin impacting from 1 December 2013.

The blockbuster health solution service model offers a robust and viable alternative as a response. Some examples include diabetes, sleep apnoea and wellness and nutrition.

### DIABETES

Some pharmacies provide a blockbuster diabetes service offering medication management, education, condition management, lifestyle improvement, weight loss and, in some cases, helping to reduce reliance on medication. Two pharmacies I know of that offer this service attract hundreds of patients to whom they offer other pharmacy services including dispensing, scheduled medicines and other OTC lines with an average sale of \$60.58—well above the norm.

Scripts and medicines are well above average and include insulin, oral, CVD, acid, SSRIs and arthritis/pain. Add to that blood-glucose meters, socks, sugar-free lines, fish oil, calcium, weight management products and vitamin D. It's the expertise that drives the return visits founded on the advice. The pharmacists collaborate with the GP in the patient's interests.

### SLEEP APNOEA

It's important to make a strong visual statement about the blockbuster service department you want to be famous for and that could include providing sleep disorder solutions. A pharmacy I work with has succeeded well as shown by sales growth: \$53,388 for year ended 30 June 2010; \$97,928 for year ended 30 June 2011; and \$260,937 for year ended 30 June 2012. Its margin is 42.5%!

The main attributes of this pharmacy's sleep apnoea

department include:

- **always having a trained sleep therapist available;**
- **separate dedicated floor space;**
- **a wide product range;**
- **strong supplier alliances;**
- **local area marketing that conveys the solution service message; and**
- **delivering customer benefits that other pharmacies don't offer.**

### WELLNESS AND NUTRITION

A pharmacy that specialises in wellness and nutrition achieved sales of \$1,006,257 for the year ended 30 June 2012, growth of 14.84% and a GP of 39.4%. The department represents 11% of total pharmacy sales (JR average is 4%), occupies 160 shelf linear metres and the stock turns over five times per annum. Apart from wide range, dedicated floor space and the presence of two full-time naturopaths delivering the service, an extensive range of health and super foods is carried.

It does more than stock and sell lots of vitamins; the focus is on nutrition and improving the wellness of customers. These results didn't just happen overnight—the original concept was introduced years ago.

Redeploying the stock and space presently devoted to many loss-making departments can: transform the perception customers have of a pharmacy; provide a significant point of difference; attract customers for non-price reasons; and improve its profitability for the long-term.

Forget discounting and get into health. That's the future and it's sustainable because health consumers want and need it. ■

References available on request.