



Choose your future

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THE HEALTH SERVICES PROVIDER MODEL OFFERS ADDITIONAL OPPORTUNITIES TO THOSE MOTIVATED TO SUCCEED.

Pharmacy has been forewarned it has about two years before weighted average disclosed pricing (WADP) cuts are likely to exceed new generic discounts introduced. So begin preparing now as the changes required strike at the fundamentals of the business model requiring a year or more to gain traction.

Perhaps owners should take heed of Henry Ford who said: 'Before everything else; getting ready is the secret of success'.

Successful owners today have made choices to get ready by implementing initiatives while focusing a lot less on externalities impacting pharmacy.

In August I quoted Rosalyn Carter (former US First lady) about leadership, the critical element needed at pharmacy level to make the critical choices. While speaking to some pharmacy owners about leadership and fundamental change as catalysts to planning, some

asked me where they could get a pharmacist who would address these fundamentals for them—engage customers, deliver services and work with the staff (they wanted to remain processing scripts out the back). They obviously missed the point that it was they who must lead and it can't be delegated.

There has been much talk about pharmacy deregulation but I suspect neither side of politics wants it. However, pharmacy could and should ally itself with other health stakeholders including government, medical professionals, nurses and consumers, to bolster its relevance and obviate the need for deregulation.

In pursuing this objective, a choice of leading innovator pharmacies is to adopt what I term 'the health services provider' role. I think this is an important advance on 'the health solution provider' role described last month as it focuses on condition management:

- **CVD, asthma, osteoporosis, mental health, diabetes, sleep apnoea, continence, herbals, wellness, etc.**
- **Medication management** eg. MedsChecks, HMR.
- **Skilled expert/services/information.**
- **Involve other experts such as a nurse.**
- **Use assistants to help set up, record and handle admin.**
- **Pharmacists provide these services—not for delegation.**

These provide the following benefits:

- **Attract customers for non-price reasons.**
- **Lift value without discounting.**
- **Image as a health/life-improving pharmacy.**
- **Ability to charge fee for service and offer health-improving products.**
- **Increase sales, margin and net profit EBIT (earnings before interest and tax).**
- **Aim to reduce unnecessary hospitalisations and visits to the GP.**

Screenings can be used to attract customers and sell the message. But, success begins with three important points:

1. **Consumers see price in two facets—what it costs and what it's worth to them. The health services provider role is aimed squarely at the latter element.**
2. **Pharmacists must be trained in the conditions they choose to specialise. As an asthmatic I see many pharmacists who appear to know little about the condition.**
3. **The whole pharmacy projects this message to customers instead of mixed messages.**

Table One summarises results of two pharmacies I have worked with over the

past three years who displayed excellent leadership making innovative choices that transformed their pharmacies by:

- **addressing dispensary efficiency and effectiveness;**
- **rebalancing the retail section towards lines associated with 'worth';**
- **positioning the pharmacist at the front as a medicines adviser;**
- **initiated a 'health solutions provider' role; and**
- **latterly initiated 'health services provider' activities.**

Additional customer services pharmacist hours were required but the extra cost was covered quickly, an important skill-set was added and customers were delighted. Both pharmacies rebuilt high margins (selective customer price-matching only), wages costs/GP\$ are now less than average and net profit/EBIT is significantly higher.

Before the changes both pharmacies were discounting, relied on monthly catalogues for marketing, sales/customers/Rx were flat and net profit headed south. Pharmacy 1 is particularly interesting because it went through a centre refurbishment that saw customer visits cut 24.4%. Regardless, the owner added an extra pharmacist and chose to invest by creating both 'the health solution pharmacist' and 'the health services pharmacist' roles, including himself. This resulted in sales falling only 2.2% and net profit remaining above industry average.

Issues facing pharmacy are almost all externally created and the innovators react by making choices to exploit their strengths and the myriad opportunities available. Now is the time to choose the future for your pharmacy. ■

TABLE ONE: KPIs for 'health services provider' pharmacies

	Pharmacy 1 Neighbourhood	Pharmacy 2 City strip	JR av 2011 Suburban
Sales	\$2,493,000	\$4,330,000	\$3,664,930
* growth	(2.2%)	7%	0.6%
Customer & Rx no. growth	(24.4%)/(2.7%)	4%/5.5%	0.2%/2.4%
Retail sale/customer \$/items	\$20.12 1.81	\$11.65	\$11.34 1.29
* growth	32%!!	6%	(5%)
GP%	39.9%	38%	34.6%
Wages/sales %	16.7%	13.6%	14.8%
Wages/GP\$\$	42%	35.5%	42.9%
Net profit (EBIT)/sales	9.4%	14.8%	7.6%