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Are you where the customer is?

COMMUNITY PHARMACIES NEED TO RESPOND TO SHIFTS IN CONSUMER BUYING BEHAVIOUR.

Local and global upheaval continues apace, as does consumer uncertainty. Although consumers continue retail spending at levels slightly above last year, they do so in different ways and places.

This trend was evident when I recently visited several retailers in Melbourne. Exciting convenience retailers such as Zara and Nespresso were trading their heads off while Myer and David Jones were very quiet. A My Chemist (resembling a cut-down Chemist Warehouse) was also flat-out while two nearby traditional community pharmacies had no customers. Costco, the US-based lowest cost, widest range warehouse retailer located in Docklands, was shoulder-to-shoulder including both health and beauty aisles.

This reinforces that during tough economic times customers shift to retailers offering 'value' to them (lowest price/widest range or high quality) and this behaviour should sound a warning for community pharmacy. I gave a similar message to readers at the start of the global financial meltdown in my November 2008 article 'Batten down the hatches? Don't!'. Unfortunately most have responded by cutting prices without building the quality of offer, leaving many highly exposed.

Unless these radical commercial disruptions are soon confronted, pharmacy's ability to deal with them by investing in coherent, longer-lasting strategies and solutions will be lost.

'Technology-empowered consumers are so radically disrupting

the traditional competitive scenario across industries that companies must now be "customer-obsessed", not just "customer-centric", in order to survive and thrive.¹

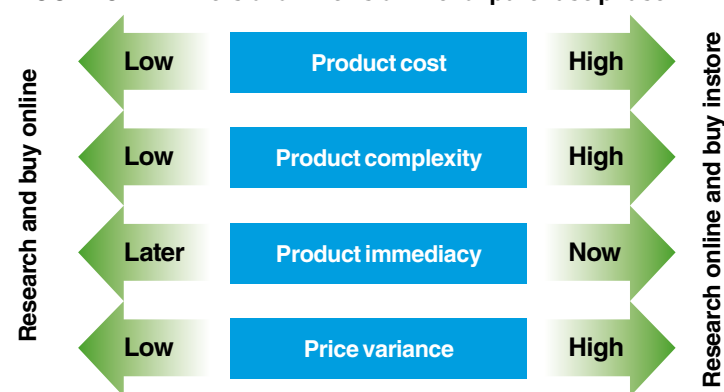
For pharmacy, competing on 'service' no longer delivers a competitive advantage; the key has now become customer engagement.

One of the many ways to do this is by adopting the third fundamental theme identified in my last column for redesigning the customer experience: embrace multi and cross-channel retailing. This strategy enables community pharmacy to build on and highlight the qualities of convenience and saving time. Online retailing should not be viewed warily or as a threat; embrace it to reinforce customer convenience and, above all, engagement. A key is that it should be embraced at the local pharmacy store level to offer another channel for customers (existing and future). It won't work by managing the process via one central fulfilment warehouse and run off one website because this misses the appeal to the customer of dealing with their local pharmacy and time saved by improving shopping convenience.

Given its nature, pharmacy is ideally suited to the 'research online and buy in store' online ordering method instead of 'research and buy online' for the reasons summarised in Figure One: Drivers of Online vs offline for purchase phase:

Standard products are more likely to be researched, bought and delivery

FIGURE ONE: Drivers of online vs offline for purchase phase



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arranged online by consumers. For example, one Australian warehouse pharmacy group that competes online appears to offer customers five channels to access their offer, including bricks and mortar; online; catalogue; radio; and iPhone application.

The competitive grunt is the interconnection of all these channels, providing a synergistically powerful retail offer that reaches more customer groups utilising a concept called 'cross-channel retailing'. Research proves that increasing the number of channels used to reach customers will also increase the competitiveness of your offer and the value of your average sale.

In contrast, when the product is highly complex and required quickly, it is more likely that the customer will research online, pay for it and then go to the store and collect, thus avoiding shipping delay and cost. Further, help or advice can be sought when collecting the product, also presenting an opportunity to offer health-related products and/or advice to these customers. For traditional community pharmacies, this applies

to a prescriptions online ordering service, schedule medicines, services, hire equipment and other health-related items such as wound care.

But wait, there's more! There is no reason why traditional community pharmacies can't use the multi-channel approach further by (not competing on price but) reinforcing customer engagement and offering: a deep online range of health-related products using the pharmacy's normal price structure and script management; health-enhancing script solution lines; generic alternatives; promoting health solution services; testimonials; self care; medicine information; Deal of the Day; discounting out dead stock; social media connection and so on.

Pharmacy needs to move with its customers and 'If you're not on the web and cannot be found your business simply is invisible.'²

1. K Lukovitz, Disruption demands customer obsessed model. Mediapost.com. 6 June 2011. p1
2. Kate Conroy, product specialist Google. Without the web you're invisible. O Angel. The Australian 20 July 2011. p33.