



# An opportunity, not obligation

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## THE HEALTH-SOLUTION PROVIDER MODEL OFFERS OPPORTUNITIES TO THOSE MOTIVATED TO SUCCEED.

**P**harmacy has to be much more than a place to acquire merchandise and have scripts filled.

It has to help people enrich their lives. If pharmacy just fulfils a product need, it's transacting, not creating new types of value for customers.

Since February this column has strived to point out the myriad opportunities available to meet the existing and future challenges of an industry undergoing fundamental change. Some see the opportunities, implement them and take the rewards while the majority appear to view them as obligations, even simple ones such as the funded Pharmacy Practice Incentive initiatives.

We've all observed and/or experienced evidence of massive upheaval in the market place, including changing consumer behaviour and the ongoing march of the digital revolution, such that:

- **80% of those who used a smartphone or iPad to comparison shop while in store chose to buy from another retailer.<sup>1</sup>**
- **In 2012 online shopping will grow 17.9% and is predicted to grow further at a compound annual rate of 14.1%.<sup>2</sup>**
- **People are saving more resulting in negligible retail sales growth.**

But, online can't deliver a high quality health solution service experience, nor can it satisfy an immediate need. These can only be delivered in the bricks and mortar setting and I have found

customer will pay more if they receive a high quality health solution benefit.

Therefore, despite all the bad news some community pharmacies are doing very well in this challenging environment. The qualities that set them apart are:

- **leadership at pharmacy level embraces opportunities;**
- **a customer-centric approach;**
- **evidence of an all pervasive culture based on delivering valued customer health outcomes; and**
- **focusing on the top line through value-adds rather than cost-cutting and discounting.**

Behind these qualities is a recognition that lifting productivity and innovation are critical to success—there is no sense that they feel 'obliged' to change but are instead motivated by success. They have improved productivity in many ways (merchandise, space and people) but, above all, understand the importance of having the right skill sets for customer engagement.

It's the last point I want to elaborate on because every pharmacy can adopt the role of what I term the pharmacist 'health-solution provider'.

### THE HEALTH-SOLUTION PROVIDER

The critical starting point for these innovators was to redefine the pharmacist's primary role: from punching out scripts to customer engagement. Those pharmacists who just wanted to remain in the dispensary sometimes found themselves replaced

by someone passionate about the customer engagement role.

Once the professional with the right skills was in place, the following fundamentals were discussed and agreed on:

- **Focus on the condition and what the prescription drug can do, not the ingredient.**
- **Focus on the solution by combining skills, knowledge and information resulting in the right product and/or service.**
- **Recognise S2/3 medicines, particularly S3 as they are unique to pharmacy and pharmacists, and are high engagement lines.**
- **Locate S2/3 and common solution lines (eg. fish/krill oil, echinacea, calcium, probiotics, practitioner lines) near the pharmacist for recommendation and within easy reach.**
- **Obtain the necessary range of high quality lines to offer customers**
- **Always be out the front—the pharmacist is the right person to offer health solutions because of their knowledge and high customer respect.**

Implementation was founded on:

- **an effective pharmacist roster to ensure scripts are checked at busy times while another pharmacist is free to engage customers;**
- **the health-solution pharmacist stationed at script-out and the medicines service area. Large pharmacies dedicate at least one pharmacist to medicines, particularly when busy;**
- **offering prescription health-solution product/service recommendations;**
- **conducting remunerated clinical interventions;**
- **suggesting health-solution services**

- **such as dose administration aids, MedsCheck, medical certificates, quit smoking. Such a pharmacist would also act as a navigator to any other experts in the pharmacy (paediatrics nurse, naturopath, wound care nurse, sleep therapist, etc);**
- **offering solutions advice and products for minor ailments such as allergic rhinitis and delivering primary care such as asthma action plans, pain management, quit smoking, diabetes support; and**
- **ensuring solution products and services offered are in customers' best interests.**

The result of the 'health-solution provider' model is:

- **being able to justify high margins (price match only if necessary), especially with S2/3 medicines;**
- **increasing sales with bottom line impact;**
- **customers love the interaction with the pharmacist, some with surprise, and respond well; and**
- **customers are given a good reason to return because their health problem was resolved, their lifestyle improved or medicine efficacy enhanced.**

By working out which types of customers account for the bulk of your business and profits, design your pharmacy and skill sets to meet their needs. Having conducted many pharmacy performance reviews recently I found that the dispensary and five retail health departments comprise 90% or more of total pharmacy sales and between 96% and 118% of total pharmacy net profit

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a handful of delegates to surf with her on the famous Waikiki Beach.

The conference presentations will help pharmacy 'ride the waves of change' such as a two-part session from Craig James, chief economist at Comm Sec. Well known for his media appearances on the breakfast program, Sunrise, his economic commentary is user-friendly and insightful. Other speakers include Dr Joseph Ischia, an urologist from the University of British Columbia, Dr Alessandro Demaio from the Global School of Health in Copenhagen, and Tania Burroughs from My Catalyst.

 **The Maui Pre Tour will run from 30 September–2 October and the Kauai Post Tour will run from 6–8 October. The Guild Offshore will run in Hawaii from 2–6 October. The program, a mix of business management and clinical sessions can also be viewed at [www.guildevents.com.au](http://www.guildevents.com.au)**

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before interest and tax (EBIT).

Table One shows some of the key performance indicators (year ended 30 June 2012) for a selection of pharmacies who adopted the pharmacist 'health-solution provider' model.

The key metrics to take note of are growth (sales, customers

and scripts), high retail sale per customer and growth; high margins (discounting unnecessary); and strong net profitability.

I included Pharmacy 3 because it has a small turnover yet staged a big increase in sales because the pharmacist swapped roles with the technician and wholeheartedly embraced the 'health solution provider model'.

These are all examples of pharmacists taking up opportunities available to all because they are motivated by success—they don't feel obligated to do so.

1. Australian National Retailers Association survey. Aussie shoppers embrace technology. Inside Retail 28 June 2012:1.

2. PwC and Frost and Sullivan research report. Australia's online boom. Inside Retail 30 July 2012:1.

**TABLE ONE: KPIs for health-solution provider pharmacies**

	Pharmacy 1 Neighbourhood	Pharmacy 2 City strip	Pharmacy 3 City strip	JR av 2011 Suburban
Sales	\$3,125,000	\$4,093,000	\$1,466,000	\$3,664,810
* growth	7%	10%	28.6%	1.5%
Customer & Rx no. growth	5.5%/4.1%	7.3%/4.1%	24.4%/2.7%	.2%/2.4%
Retail sale/customer \$/items	\$15.65 1.52	\$16.80 1.66	\$13.42 1.39	\$11.34 1.29
* growth	12%	9%	35%	(5%)
GP%	39.7%	39.4%	39.9%	34.6%
Wages/sales %	13.3%	12.5%	18.4%	14.8%
Wages/GP\$\$	33.6%	31.8%	45.9%	42.9%
Net profit (EBIT)/sales	15.6%	17%	11.2%	7.6%