



Getting the iceberg the right way up

IN recent months many pharmacy owners have told me that the Guild must do something to stop the Priceline Pharmacy franchise store operation. My response has been two-fold.

First, there's not a great deal that even the Guild can do; and second, I asked them what they will do to compete through differentiating their offering and improving their retail management effectiveness. If it's not Priceline it will be someone or something else.

Being retailers, New Clicks Australia brings to the Priceline Pharmacy franchise competence in the 'below the surface' activities, the strength of which determines the relevance and quality of the store offering to consumers.

'Traditional community pharmacy' has largely ignored these aspects of their businesses choosing instead to concentrate on prescriptions and operational aspects (for example dispensing process, staff rosters, ordering and so on). Comparison with sophisticated retailers (such as Priceline Pharmacy, Coles and Woolworths) and community pharmacy is demonstrated in the diagram of the triangular icebergs called 'Sophisticated Retailers'.

In fact, all successful retailers are defined by their ability to achieve excellence in these activities. The reality is that community pharmacy owners don't have the necessary skills and time to take a significant interest in these critical areas of retail management. So, unfortunately, little

value has been placed on investment required to maintain POS systems and, most importantly, the utilisation of accurate/reliable information they are capable of producing. Therefore, community pharmacy in general hasn't benefited from improved supply chain management (lower purchase costs) and key category management (higher sales and profit).

It's now time for pharmacy owners to acknowledge and value the 'below the surface' activities. These will lead to efficient operations and a more relevant retail offering in the 'specialty retail healthcare' niche involving both dispensary and retail key categories. The result will be a sustainable differentiated offering compared with what chain retailers can and will offer. This differentiated offering will produce higher sales and profitability plus long-term viability.

There is no question in that Priceline Pharmacy has raised the bar significantly on traditional community pharmacy, and in areas that pharmacy owners have generally been least comfortable with, representing the greatest deficiencies in community pharmacy management.

New Clicks Australia results for the year ended 31 August 2002, revealed turnover of \$282m from 126 stores. Average turnover is, therefore, in excess of \$2.2m in categories similar to pharmacy excluding scheduled lines. According to Johnston Rorke's client base averages for the year ended 30 June 2001, average phar-

macy turnover was approximately \$2.5m which included non-scheduled sales of only \$608,000!

Compare that with existing Priceline sales, then add scheduled product sales to give you a perspective of Priceline Pharmacy sales.

In my view this is a very potent combination which, augmented by store retail manager skills and targeted marketing programs, will take some business from chain retailers and community pharmacies operating in similar market areas.

Community pharmacy is for the first time confronted by a strong retailer offering strengths in many areas which many pharmacies have either not had or failed to embrace.

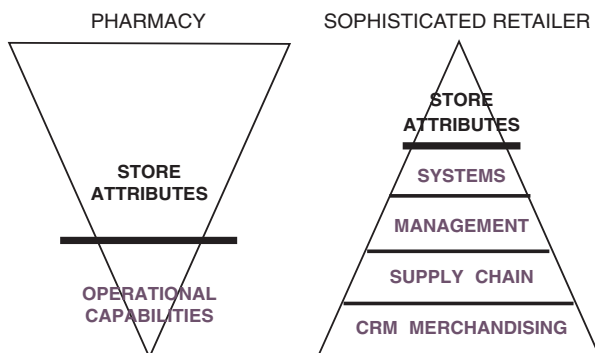
The challenge to community pharmacy is to commit to the 'below-the-surface' activities. As I've outlined in my July *AJP* article, at conferences and to anyone willing to listen to me, it is essential for owners and the industry to quickly embrace the concept of trained retail managers, combining retail and system management skills with pharmacy owners to develop health niche and value-added key categories.

Pharmacist owners to-do list:

- Commit to the value of information.
- Ensure retail management systems are up to date (dispense and POS).
- Employ a person responsible for POS data and integrity.
- Employ a skilled retail manager who can use the data.
- Share purchases data with suppliers.
- Use category data to improve stock/space/staff productivity.

Inverting the iceberg can only be done by individual pharmacy owners. Success will provide great rewards. Failure will leave 'traditional' community pharmacy teetering and susceptible to the sophisticated retailers. ■

SOPHISTICATED RETAILERS



Australian pharmacies need to improve retail management effectiveness in order to get their operational 'icebergs' the right way up and compete with New Clicks