



Pharmacy's twilight zone

DOO doo doo doo... Hey! Don't go in there. Those who remember the TV series *The Twilight Zone* understand what I mean. It was a place to be avoided no matter what.

Many pharmacies have entered their own 'Twilight Zone' in the last 15 years or so by following the same old pharmacy model of relying on convenient location and the umbrella of regulation provided by three successive Community Pharmacy Agreements. That meant profits came comparatively easily by generally following a simple business model of maximising script throughput and minimising expenditure (overheads and purchases).

Consequently one community pharmacy's customer offer became the same as any other-location/convenience, format, design, retail range, staffing, role of the pharmacist in the dispensing process, and so on. That explains why I refer to most pharmacies, perhaps rather brutally as 'me too' pharmacies.

Like it or not, that sameness has put most traditional community pharmacies into a highly vulnerable position.

Not surprisingly, we have seen during the last five to 10 years some very smart retailers (pharmacies and other retailers including supermarkets) entering the market with strong customer relevant offers highly differentiated from the traditional 'me too' model. In fact, there is nothing wrong with this from the perspective of competition and offering customers something valuable that they couldn't get otherwise.

This reminds me of an analysis in the 1955 book *Diffusion of Innovation* written by Rogers and Shoemaker. They found that five broad groups of business owners constitute any industry sector:

- Leaders—'narcissists with energy': 3–5 per cent.
- Early Adopters—'that's interesting' 10–15 per cent.
- Middle Order Adopters—'show me the money': 60 per cent.

- Late Adopters—'must I': 10–15 per cent.
- Troglodytes 3–5 per cent.

The leaders are the ones with passion and energy who are prepared to invest and often risk everything in pursuit of their vision to create something different that they strongly believe will succeed. They challenge the status quo and, in so doing, raise the bar of performance to new heights for all competitors because of their customer-relevant focus. As a result, these leaders have, using my analogy, created the 'twilight zone' in pharmacy, with fewer customers left for the 'me too' pharmacy. Consequently many community pharmacies are struggling because the early adopters are joining in.

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The leaders at one extreme of the customer-relevance continuum, for example, have created the best executed EDLP (every day low price) pharmacy warehouse offers. However, attracting less attention at the other extreme some pharmacists offer exciting formats focused on highly specialised solutions driving patient healthcare outcomes. With one or two brilliant exceptions, these leaders are usually found operating independently in their own market areas delivering fantastic customer value that doesn't rely on EDLP (lowest price).

In the meantime, though, many customers of 'me too' pharmacies have defected to the EDLP or healthcare solutions retailers because the offer is what they want or need! Many will even forego convenience in order to satisfy their needs. That's the essence of customer relevance.

Phil Young, a progressive Sydney pharmacist, recently gave me a terrific example of how easy it is to think differently about a prescription. He explained that a prescription indicates what is wrong with the patient, not just what drug the doctor wants him to dispense. That line of thinking leads to opportunities in understanding a customer's needs rather than wants (getting the script filled), improved quality use of medicines, reducing downstream healthcare costs and optimising patient healthcare outcomes. Result is a satisfied customer who is more likely to return with a focus directed away from price.

By adopting this approach, the pharmacy's bottom line improves due to opportunities being created for retail solution/care selling. Put another way, it demonstrates how to leverage off the prescription traffic into the much more profitable non-prescription healthcare solutions categories. Dispensing the prescription becomes only the beginning.

Pharmacists who do recognise the need for axiomatic change understand that relying on prescriptions for future success isn't the answer. But deciding what that change will be and implementing it is up to the independent pharmacy owner.

While realising that there are few 'leaders, or narcissists with energy', the remaining pharmacy owners should position themselves as 'early adopters' and observe what these leaders have done. After choosing a position on the customer relevance continuum that matches your own vision and values, put together a plan and seek out the people and resources to help you achieve it.

Survival is about becoming customer relevant and offering something different at the same time. But, no one else can do it except you because it's your pharmacy. No one else, it's you! Doo doo doo doo.