

The Mayne management event

MAYNE showed its ongoing commitment to improved management skills by again sponsoring the management stream presented by Johnston Rorke's Bruce Annabel.

The management stream comprised a presentation outlining the current position and primary issues confronting Australian pharmacy, followed by three workshops in which the participants, working in groups, analysed three identified real pharmacies located in city shopping centre, city suburban strip centre and country/provincial locations.

Dispensary dominance

The presentation demonstrated the dominance of the dispensary in terms of sales (68.1 per cent). This increased to 77.2 per cent with pharmacy and pharmacist-only medicines included.

Comparing this Johnston Rorke data with the previous year, it became apparent that the sources of net profit before interest (EBIT) had fallen by 5.7 per cent due to overheads, particularly wages, rising faster than income generated from sales.

'There is an obvious warning here for owners who don't monitor their businesses properly and those pharmacists considering purchasing a pharmacy or a partnership interest therein,' said Mr Annabel. 'Just being there and doing the scripts doesn't work anymore.'

Competition

Also discussed was the impact of increasing competition from both within and outside traditional community pharmacy. Mr Annabel demonstrated the rapid growth of the supermarket healthcare offer, underlining their market potential.

'One salient fact is that the fastest growing category in grocery for the 12 months ended 31 July 2004 was "cough and cold", up 29 per cent, followed by "analgesics" ranked third with a 24 per cent increase,' Mr Annabel said.

Also highlighted were the low-price/low-cost warehouse pharmacies springing up in every state and territory of

Australia, to which most pharmacy owners respond negatively.

'They either do little or simply decide to reduce their prices in the mistaken belief that they will then be competitive. Wrong!,' claimed Mr Annabel.

Added to all this was the ongoing government pressure on PBS dispensing fees.

Retail and supply chain prescription

Mr Annabel's prescription involves improving supply chain efficiencies, including the dispensing process itself ('which is up to individual pharmacy owners'), and the retail offer of each pharmacy.

'Pharmacy has got to start thinking about a customer value proposition and leveraging off the script traffic into the high margin healthcare retail categories,' Mr Annabel said. 'In deciding what this will be, owners have got to match what they want to do with the needs and wants of customers. Customers will decide whether they will visit your store or another. The Guild, the PSA and the Government can't make that choice.'

This involves examining the pharmacy offer from the perspective of the customer and choosing either end of a pharmacy model continuum: the business of specialist retail healthcare focusing on health solutions/outcomes or the 'value' end, concentrating on consistent low prices across the board with a wide product range.

'In the end, the pharmacy offer must contain features that are both important to customers and highly differentiated to all competition,' Mr Annabel said.

Workshopping the theory

The workshops challenged attendees to overcome problems in real pharmacies and create a competitive advantage in two or three of the eight key retail success factors (place, product, value proposition, people, communications/promotion, systems, strategic alliances and supply logistics) with the aid of market demographics.

A confronting experience

While the task was quite confronting to many participants, Mr Annabel said he had received good feedback, including the following comment emailed back in Australia:

'I really enjoyed the workshops and felt they should be a compulsory part of the program for any one with a business. But sometimes it is a bit confronting to be made to look at that sort of thing and much easier just to keep doing what you know best.'

'Whether we like it or not, pharmacy owners have got to face up to the realities that, to survive, they must combine best practice pharmacy practice with best, or at least competent, business management practice. Yet most believe operational competence will do.'

The Mayne-sponsored PSA management stream workshops were about confronting that myth and providing attendees with ideas and a structure to confront the realities of today and increase their capacity to remain viable in the long term. ■

The JACK THOMAS TROPHY winner for 2005 was Dianne North (second from right).

Also in the photo are trophy runners-up Linda Keane and Louise Moyes (first and second from left), Professor Peter Carroll and Maxine Goodman

