



Selling quarter-inch holes, not drills

'The great Harvard marketing professor, Theodore Levitt, used to tell his students, people don't want to buy a quarter-inch drill. They want a quarter-inch hole!'
Christensen *et al*, *Harvard Business Review*, Marketing Malpractice, Dec 05, p76.

RETAIL marketing and communication aims to fulfill two fundamental goals:

1. Traffic generation—getting customers through the door.

The marketing of warehouse pharmacies is all about traffic generation because without building and then maintaining traffic growth, they die. Their marketing communication drives the message that they deliver lowest price and widest range.

As Robert J Frank *et al* explain, their message 'showcases "special buys" and the use of simple, prominent signage enables them to get credit for the value they offer.' (*McKinsey Quarterly* 7 April 2006, When your competitor delivers more for less).

In terms of Professor Levitt's analogy, they sell 'quarter inch drills' at a price significantly lower than all competitors.

Important traffic generation strategies for community pharmacies include adopting supermarket price points on a few appropriate everyday healthcare lines such as brand leader baby formula and nappy lines and a limited number of price sensitive brand leaders (known value items or KVIs).

Unfortunately the only marketing conducted by the majority of community pharmacies—bannered or otherwise—focuses on product and price because most pharmacies don't stand for anything special and, therefore, have no point of difference to promote. Put another way, the standard pharmacy offer and marketing program represents 'Carbon Copy Boredom' (*ACRS Retail Register* July 2006 p8), a phenomenon that leads to 'an increasing desire for consumers to create

a sense of individuality' and which 'will have a large impact on retailers as consumers rebel against mass-produced goods and increasingly seek out products that are unique'.

So when these pharmacies aim to generate traffic by promoting product at a price, they're selling the quarter-inch drills rather than focusing on the quarter-inch holes—the outcome—which, in the case of pharmacies, is about focusing on the health outcome.

So how can pharmacies hope to compete with sophisticated retailers who market product at a cheaper price far more effectively than traditional pharmacies?

Loyalty clubs are a great way to obtain information about customer buying habits and can be utilised to segment and target the market. Unfortunately there are few loyalty clubs in operation (perhaps only one) that could be regarded as effective. That's because, for whatever reason, the data obtained in return for the discounts given away is not reliable or not used (more on that subject next month).

2. Selling the message—announces to customers what the store stands for and highlights its points of difference compared with competition. This activity drives profit and is vital to any marketing campaign.

In my last four *AJP* articles I discussed four areas (customer experience, merchandise, health solution skills and what the store stands for) that owners can build and then communicate to customers via local area marketing and in-store promotions. This style of marketing is critical to retail success because selling customers the message of your unique offer is linked directly to the generation of profitable sales and customer growth.

Last week I received an unsolicited email from a leading pharmacy owner which included the following telling comment:

'We [pharmacists in general] seem to

be in a holding pattern, coping with change after change and have lost the will to be brave and entrepreneurial.'

Those brave and entrepreneurial souls include a few good operators found at a local level and one or two groups who have developed one or more of the four areas of opportunity.

The Terry White Chemists communication of the in-store Tony Ferguson weight loss offer, and the Hilary Kahn Quit Smoking solution, are standout examples of my own message. The message they sell to customers is that they have a health solution aimed at losing weight or quitting cigarettes, rather than just pushing another weight loss or quit-smoking product at a price. The financial results and customer satisfaction speak for themselves. (Refer to my May 2006 *AJP* article, 'It's not just about the product' (p86) for more ideas.)

Spend 1.5 to 2 per cent of total sales on marketing, including developing a loyalty club, and treat it as an investment rather than an overhead to be minimised.

Marketing is primarily about selling the message of what the pharmacy stands for in the market. The message highlights the pharmacy's points of difference compared to competitors and which are considered highly important to customers.

So if you want to move away from perceptions of 'Carbon Copy Boredom' from your customers, develop one or two of the four areas I identified, focus on the attributes and become a retail 'hero' in them. But don't forget to tell the customers that you stand for the 'quarter-inch holes', not the 'quarter-inch drills'.

Retail Trends: (Source: Australian Centre For Retail Studies—Retail Trends May 2006)

Retail Sales: May 2006 versus May 2005:	
Total retail sales—Australia (all retailers)	5.2%
Pharmaceutical, cosmetic and toiletry	9.5%