



Customers see it differently

‘Pharmacy should actively review their business models and use the next [four] years to position themselves for a more competitive future post July 2010.’

—(Price Waterhouse Coopers Retail and Consumer Outlook, 2006: the path continues.)

FURTHERMORE, Mike James, retail and consumer sector leader Price Waterhouse Coopers, who facilitated the May launch of the 2006 publication, said that pharmacy had to focus on radically improving three key areas: increase customer relevance; lift service levels; and reduce cost structures

Increasing customer relevance won't come from continuing to rely solely on regulation, convenience, getting the scripts dispensed and having people in the pharmacy space to deal with customers (often mistakenly considered 'service').

The pharmacy retailing section of the *Retail and Consumer Outlook* expands further on what Mike James said at the launch, under the heading 'Take Action':

Look ahead

- Forecast how the industry is going to evolve over the next [four] years and the impact it will have on your business.
- Prepare a business plan based on the assumption that the environment will continue to become more competitive.

Differentiate

- Pharmacies should position themselves as high-value operators where quality of advice and retail presentation clearly differentiates them from low-cost supermarkets.
- Radically re-think front-of-store management to attract consumers via special product offerings such as addressing aged care (doesn't refer to aged care product dispensing only), baby and women's health needs.

Seek scale

- Look for potential partners through banner groups, franchise networks or other groupings.
Pharmacy owners have little choice but

to focus on the suggestions outlined under the heading 'Differentiate', which is all about creating a customer value proposition, or an in-store offer that customers will care enough about to forego shopping elsewhere.

This is because pharmacy industry cost structure is high (and will remain so for some time) which means that creating value by competing on low price is out of the question.

There are many options available for owners to create an offer valued by customers without having to 'push the price button'.

In my view the most important ingredients are:

- Convenience: location of the store.
- Glorious in-store experience: quality of the fit-out, design, colour, access.
- Focused merchandise selection: Retail health solutions—deep range and information combined with skills.

Almost all pharmacies are convenient although not as convenient as supermarkets. However, very few offer the customer a highly differentiated in-store experience or a relevant merchandise and/or health solution service.

In order to lift 'service levels' pharmacy owners need to make a quantum change from the current operational/reactive style to one that applies skills to deliver the solutions referred to above.

Service is about understanding customer needs. It's also about advising and applying special skills, which ultimately leads to providing the customer with a solution to their health problems. Price Waterhouse Coopers refers to this as finding ways for staff to engage the customer. But to do this effectively, one needs to understand what the customer values.

Most community pharmacies must understand the concept of value from the customer's perspective for them to survive in a more competitive environment. Even in the current regulated market, pharmacies are losing market share to supermarkets.

The customer's perspective of 'value' is the reason they select one pharmacy over another or choose the improving health-care precincts now found in supermarkets.

For the great majority of customers, their value proposition is not price alone. But, if a retailer is only convenient and does little more than stock and sell product—like the great majority of pharmacies—then more customers are likely to seek out lower prices.

The answer for the great majority of community pharmacy owners lies in creating a retail offer that adds significant value to the current product-only offer.

In April and May I wrote about the in-store experience and adding value to product which, in turn, creates a differentiated offer that appeals to customers. There are lots of concepts to choose from to start building a new offer that will lead to a competitive advantage. Also important in enhancing your offer is the consistency of delivery, improving access and reducing the time a customer spends dealing with you.

Customers will only choose your store over another if you offer them something they want or value which others can't provide.

So, ask yourself and your customers: what does the pharmacy offer apart from a dispensing service, convenience and product? If the answer is not much then it's time to work on a strategic plan to create that value. ■

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

Retail Sales: March 2006 versus March 2005:	
Total retail sales—Australia (all retailers)	4.8%
Pharmaceutical, cosmetic and toiletry	5.1%

Many pharmacies experienced good growth in March because Easter fell in March last year as opposed to April this year.