



retailing

retail management

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Every pharmacy dispenses...so what?

Through your participation, you are supporting the very structure you wish to alter or transcend. Consequently, real and lasting solutions require exceptional and subtle strategies.

(The Art Of Strategy—a new translation of Sun Tzu's classic The Art Of War)

The very great majority of pharmacies are perpetuating the old product-only and dispensary-profit paradigm that is no longer strong enough to withstand the new world of rampant competition and falling dispensing incomes.

All pharmacies dispense prescriptions well and apply excellent clinical skills in the process. But this is what consumers expect and is mandated by laws and professional standards. There's no point of difference except for price and perhaps efficiency and reduced waiting time.

So the answer lies in what a pharmacy does with the customer traffic generated by scripts via leveraging into health solutions, often generated by the 'retail' section. It's the total pharmacy offer and what it stands for in customers minds—that's the key.

But meaningful and practical change will only occur when owners stop ignoring the facts. They must now act by assuming control of the direction of their pharmacy business and make the essential changes.

Much noise is often made by some

groups that pharmacy owners won't comply. In many instances I don't blame them. Why bother complying with something that isn't customer relevant, looks the same as all other pharmacies and there's no differentiation with the real competition (supermarkets and warehouse)? Many owners are watching their bottom line profits flat-line or fall and seek solutions themselves.

Let's revisit the topics of the last five months starting in October 2005, as these are the elements that must be first understood clearly before striking out on how to create such a pharmacy business: Understand the customer (store choice); Understand your competition (how do they win); Impact of regulation (outside your control); Results (accurate/timely data essential); Choose a business direction that suits you (core values).

After fully understanding these issues owners will be in a position to begin that worthwhile journey by creating a strategic plan using the eight key success factors. If applied properly, this will achieve meaningful and revolutionary change resulting in long-term sustainability.

Are any of the following occurring in your pharmacy?:

- customer numbers falling;
- script numbers falling;
- retail sales flat or falling;
- average retail sale per customer below average and flat;

- dispensary margin dollars holding only because of generics;
- retail margins falling;
- overheads increasing faster than margin dollars; and/or
- net profit flat or falling.

If all or the majority of the above are occurring in your pharmacy, it means your total store offer (front door to back door) isn't customer relevant.

I know this because there are many instances of community pharmacies (some of them truly sensational) which achieve terrific growth in all these facets because they have confronted the facts and made the changes by following, some unknowingly yet no less successfully, the model I will outline in future months.

Our journey will cover:

- Location—store environment is a determinant of store choice.
- Merchandise—health solutions.
- People—the moment of truth where the offer lives or dies.
- Communication—get out the message.
- Value proposition—what will you stand for that's highly important to customers and is highly different to all other retailers.
- Systems—need accurate data.
- Supply alliances—who will you support to obtain the best deals.
- Logistics—lowest cost supply.

The objective is for pharmacy owners to be competent at all these issues and have clear wins over all competition in two of the first five factors.

And, no, you can't be satisfied by saying, as many of you will, that 'we win on service'. That's an old chestnut that does not wash in reality. It's really about creating solutions by combining specialist expertise with specialist product deep ranging that results in a meaningful health outcome for the customer. ■

Retail trends

Retail sales: December 2005 versus December 2004:

- Total retail sales—Australia (all retailers) 4%
- Pharmaceutical, cosmetic and toiletry (4.2%)

Consumer confidence January 2006 compared with:

- December 2005 up 6.6 points
- January 2005 down 8.9 points

(Source: Australian Centre For Retail Studies—Retail Trends December 2005)

Supermarkets continue to take market share from pharmacies in categories such as vitamins, analgesics, dental and so on, with more to come according to Woolworths CEO Roger Corbett (16 February 2006 *Australian Financial Review*)

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