Road kill or 'EasyEST' leadership

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PHARMACIES THAT CONTINUE TO RELY ON SUPPLY HAVE STARK CHOICES.

It's been an interesting couple of weeks with various personal reminders about the challenges for community pharmacy.

First, in hospital for a small day surgery procedure, I was finally given my first CMI accompanying a commonly prescribed antibiotic for minor conditions. I was surprised and very pleased but why haven't I been given one when buying similar and more powerful drugs in the community setting? Do pharmacists not realise Government pays them $20m for handing out CMIs, or the opportunity it offers to engage the customer?

Second, when buying a Ventolin in a community pharmacy, the pharmacy assistant said I would have to speak to the pharmacist. 'Excellent' I thought! But the pharmacist simply put a label on it, told me the price and asked if I wanted it in a bag. The result is the same as what I would have expected from the assistant.

Third, a pharmacist told me she hadn't heard of price disclosure or WADP (the PBS reform policy Weighted Average Disclosed Prices) and that it was 'one of those things I'm not interested in'. I since discovered many pharmacists (including owners) who are ignorant of the biggest change to dispensing remuneration for 20 years. WADP will alter the financial landscape of pharmacy forever!

The fourth interesting moment was a postgraduate student who asked me after my lecture: 'Tell me about cognitive services...are they worthwhile or just a political exercise to keep government happy?' I said both views were correct and that all government-funded services were what I call a 'free hit' in adding value in the community—and being paid is fabulous! However, the tragedy is so few pharmacies actually utilise them (eg. only about 600 pharmacies claim for HMRs, a figure that has barely changed in six years despite their value to the bsiness of pharmacy.

ADDING VALUE

HMR's conducted by employed, as opposed to contracted, community pharmacists earn profit per HMR of $43 (my latest calculations) taking three hours on average including travel. If the HMR took four hours, the worst case is still break-even and that includes recovery of the direct hourly rate, plus on-costs (super, leave and workcover). The added value comes in the form of the image and association the patient has with the pharmacy, plus the sales leverage that flows. There are now many examples of pharmacies getting excellent results.

Finally, I have discovered that the genuine EDLP (every-day-low-price) warehouse pharmacies (not the pretend discounters) are achieving 20–30% sales growth on like-for-like stores. Add to that the sales gains from new store openings and it becomes clear there is a groundswell consumer trend towards the lowest price offer. But you don't have to compete by cutting prices. Many of our clients have proven that delivering valued health solution-orientated services generates new customers and higher sales while margins are retained! That is, 'EasyEST' healthcare (refer to my *AJP* April 2009 article 'Easiest route to success'p62) done correctly is a destination offer too!

ROAD KILL

The messages here are, pharmacists:

- **remain focused on supply;**
- **don't comprehend the industry risks; and**
- **ignore the huge potential they have to improve customer health outcomes and reinforce their capabilities to government.**

Last month I wrote that pharmacists needed to look outside their technical competency for solutions. Those pharmacists who chose customer health outcomes as their priority are now winning and will continue to do so while the others become 'road kill' at the hands of the EDLP warehouse pharmacies and the out-dated dispensary supply model they rely on.

LEADERSHIP

Smart pharmacists should let the EDLP warehouse pharmacies, the discount pharmacies and the directionless traditional community pharmacies play the price game. Leave them to the price war and instead choose to sit on the sidelines observing the 'road kill' take place as warehouse pharmacy rolls over the top of more traditional community pharmacies.

Only those pharmacists and owners who take a leadership role in their pharmacy with their customers day-in-day-out will earn a seat in the observation tower. Many years worth of observations and experiences help me to conclude that pharmacists are good at the technical aspects of pharmacy. But they are very poor at management, while leadership in far too many pharmacy businesses is virtually absent.

Peak body leadership provides the environment but not whether your store competes, profits and survives.

The three roles in the community pharmacy business are:[1]

Hope and meaning ..... **LEADERSHIP**
Improving profitability ..... **MANAGING**
Doing ..... **TECHNICAL**

There is only so much that can be done to improve profitability (or 'tighten the wheel nuts') until it becomes patently obvious that a new direction or model must be found. Traditional community pharmacy has definitely arrived at that point!

Only leadership at individual community pharmacy business level can deliver the 'EasyEST' competitive offer that I have been writing about in the *AJP* since March 2009.

Fully embraced and implemented, it will shift a pharmacy's offer from supply-based to the health solution-oriented service position where price is not such a big deal.

So it's your choice—be a victim of road kill or inspired EasyEST leadership for the future. ■

1. Adapted from a presentation by Humphrey Armstrong of Lifelong Learning Systems at the Organisational flexibility and capacity building workshop, University of Sydney, 22 & 24 May 2009.