



Success is the customer's choice

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'There is only one answer to why you are in business. Making sales and profit are a by-product. The real reason is to get and keep more satisfied customers using your services more often. If you do everything else well, then sales and profit flow.'¹

Will Ander, one of the world's top retail consultants with American retail experts McMillan Doolittle, explained at the seminar 'Winning at Pharmacy Retail' that any retailer, including Australian pharmacies, who want to compete and survive must position itself effectively in the market.

This appealed to me because, while the industry has the benefit of regulation, good PBS dispensing margins and cognitive services, it is not a homogeneous market guaranteeing every pharmacy automatic success just by being there and dispensing competently. If a customer chooses not to have a script filled at your pharmacy or buy an OTC scheduled drug, regardless of their reason, you don't get the benefit of regulation and PBS remuneration income.

Many customers are departing traditional pharmacies in search of lowest price or a service that they themselves value.

'SMILING GREETERS' ARE NOT HEALTH SOLUTION SELLERS

So it's not what you think; it's what the customer or patient thinks and how they behave that will determine the viability of your pharmacy.

When I explained this fact to a client last year he said, somewhat defensively, that customers love coming to his pharmacy because they know the staff so well. If that was true, why did his pharmacy customer numbers fall 15% during the last three years?

The customers had defected—they were visiting the warehouse pharmacy two kilometers away and another traditional pharmacy in a small convenience centre down the road.

LOYALTY OR CONVENIENCE?

When it's only convenience that binds your customers, you are significantly at risk!

Our client's pharmacy is reliant almost totally on convenience to generate customers and, hence, highly susceptible to more convenient and EDLP (every day low price—not to be confused with discounting) warehouse pharmacies, plus any other operator with strong customer-focused offer.

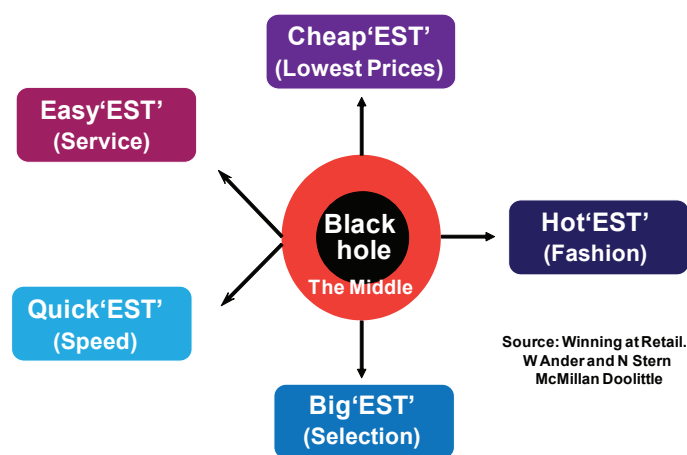
My client has friendly staff, highly competent pharmacists who 'come out' to consult the customer when they deem it necessary, and offers the usual array of OTC schedules, cosmetics and gifts. He even buys well and substitutes aggressively. So pharmacy is similar to the great majority of community pharmacies that approach their business from an operational perspective.

BE RELEVANT AND A DESTINATION

His total pharmacy offer is neither sufficiently customer-relevant nor different from the competition to grow customer and script volume. This situation is replicated in most pharmacies across the country.

My concern is that during the economic recession most will fail to respond effectively, thus allowing the

FIGURE ONE: Winning retailer positioning



warehouse pharmacies, supermarkets and a few others to help themselves to a bigger slice of the market cake. We know this is happening right now!

Accordingly, the 'Winning at Pharmacy Retail' seminar last month was organised to offer concrete ideas on how to deal with the difficult times and how to prevent leakage of customers and profits from their pharmacies. It's about getting on the front foot and not taking a cautious wait-and-see approach.

The keynote speaker Will Ander spoke about a model he developed that has been robustly tested in most of the world's retail markets, including pharmacy, and outlines five winning positions a retail pharmacy can select from (see Figure One).

DOMINATE OR DESPAIR

Pharmacies must dominate their market area in one of these positions and demonstrate this clearly via the pharmacy offer seen and experienced by the customer, as opposed to what most pharmacies choose to offer. In

other words, it should be a model built from the customer's perspective rather than the owner's. How well you do it will be evident in:

- customer numbers;
- how many 'me-too' convenience pharmacies customers pass to visit yours;
- average retail sale;
- retail lines per transaction;
- sales;
- sales growth vs market growth;
- gross profit dollars growth (not just from generic substitution);
- net profit dollars growth; and
- resilience when a warehouse or convenience pharmacy opens.

Future articles will explain the five winning positions relevant to your pharmacy's total customer offer (dispense and retail)—regardless of size—to help you gain more market share during and after the economic slowdown. As my triathlon coach often says: 'If it is to be, it's up to me'. ■

1. Paraphrased from Peter Drucker, *The Effective Executive*; 1966.