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# Lift value without dropping price

## PROFESSIONAL SERVICE IS SIMPLE— IF YOU 'GET IT'.

Customers are rapidly changing their lifestyles, preferences and ways of interacting with pharmacies. Add to this the fast-changing competitive landscape as some sophisticated pharmacy operators adopt lowest price, solution services (in a few cases), wide range, internet/digital channel and/or communication via social channels and iPhone applications.

These strategies are in response to customer behaviour driving market demand and the aforementioned retail pharmacies have simply responded. Not vice versa and that is important to understand.

Many owners ignore these rapid changes and now have to choose: continue as is and be swamped by change; or innovate!

The reality is generic substitution and attendant high trading terms over the last five years and, most noticeably in the last two years, has obviated the need for owners to innovate in response to the rapid changes described. Some have said to me 'Who cares when I am making so much easy money in the dispensary and from generics!'

To give some perspective of the profit lift provided by generic growth here is the data.<sup>1</sup>

1. Ten years ago the average dispensary gross profit margin, including discounts and rebates, was 29%. Five years ago it was 30%. Today it is 35%.
2. Five years ago the average income (gross profit dollars) per script

(PBS, private and safety net) was \$10.05 (discounts, rebates and generics inclusive). Today it is \$13.

The government has permitted pharmacies to keep this 'easy money' for the time being. We know it will not last when price disclosure starts to bite.

So there is little doubt that pharmacies must innovate to achieve script and customer growth that will offset the much lower growth in script income they will confront in years to come.

The starting point is owners and pharmacists accepting that traditional pharmacy's current concept of 'service' is not 'special' in the mind of the customer, does not enhance competitiveness, does not generate loyalty by all, and will not result in gaining a fair share of market and customer growth.

In last month's column ('Service that matters', *AJP* June 2010), I had a go at defining the difference between 'service', to which I have

been referring, and 'professional service' which, if delivered as a call to action across the total pharmacy, will improve competitiveness, financial viability and sustainability.

Here are some comments from one of our young progressive pharmacy owner clients who 'gets it'.

### ENGAGE AND DELIGHT THE CUSTOMER

'I went to a restaurant a little while ago and the owner made sure I took a card on leaving... and I realised that almost all cafes and restaurants do this when they give you the bill. However, this particular restaurant's card was personalised with the owner's contact details.'

'So I adopted this idea in my pharmacy. My business cards have my personal mobile phone number on them. While very rarely would patients use this number, it is the simplest thing and has made a difference to my business. I give them to patients both on the floor and when I give out scripts telling them "Call me on this number—I would like to know whether what we discussed was effective". Sometimes I use them to write down HMR or Mirixa appointments—or whatever information I want to convey. Or, I write a message for their doctor on my card. Also, I hand out CMI's almost everytime there is a new prescription prescribed (practically everything bar antibiotics). Every one of those CMI's has a business card stapled to it.

'I had a 70-year-old woman SMS me to re-schedule her HMR!

here is that the idea of "professional service" delivery (as opposed to discounting) is an attitude and philosophical thing, not a process thing. That is, if you want to provide professional services, it has to be embedded in your core thinking, into everything you do from the moment you open the door; from the moment a sales assistant says, "this lady wants to talk to you" you don't say, "I don't have time, just tell her this...".'

### LIFT CUSTOMER 'VALUE' WITHOUT DROPPING PRICE!

'Three things happen to the customer. First, they're surprised they're getting information to start with; second, they're surprised that the pharmacist is speaking with them; and third, they're surprised that there is an invitation to ring the pharmacist if there are any other queries.'

### INVESTMENT AT NO COST

'Total financial outlay = 30 seconds of my time. I call it the TSI (30-second investment). What I achieve in 30 seconds probably couldn't be achieved in 300 seconds by the best of sales assistants. I am trying to encapsulate a very simple idea that really is a core expectation of the public that probably isn't delivered upon as we speak.'

The key take out for readers is that the customer was engaged by the pharmacist, advice was given, information transferred, solutions offered and the customer loved it!

That is the very essence of enhancing customer value through 'professional service' without cutting price. ■

1. JR Pharmacy 2005, 2009 and 2010 client series.

## THE IDEA OF 'PROFESSIONAL SERVICE' DELIVERY ...IS AN ATTITUDE AND PHILOSOPHICAL THING, AND NOT A PROCESS THING.

I thought it was hilarious and she loved the fact she had direct personal contact with her pharmacist.'

### PHILOSOPHY OF VALUED PROFESSIONAL SERVICE

'The fundamental thing that everybody needs to understand