



# Driving the customer experience

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**'You laugh at me because I'm different. I laugh at you because you're all the same'**

LADY GAGA

Customers drive the pharmacy agenda now more than ever and use alternative channels to buy traditional pharmacy lines. So it is no wonder I am commonly asked: 'What can I do about customers who come into my pharmacy to check my prices but then leave to buy it elsewhere, usually at the warehouse pharmacy or online?'

## DIGITAL FLIGHT TO PRICE

Smart phones accelerate this behaviour as customers check range, availability and price of competitors then thrust their phones forward to prove why they deserve a discount. This behaviour will get worse as the digital and smart phone revolution drives the flight to price harder and faster.

Today 90% of smart phone searches ends in action and 74% who use them to shop proceed to purchase.<sup>1</sup> Research also says that price is the fifth reason people use overseas online sites to buy, behind the two most important reasons—range and ease of finding product.<sup>1</sup>

This is no passing fad driven by the two-speed economy that pharmacy owners can get through by discounting for a while and then whacking prices back up later. This revolution in customer shopping habits will continue.

The point is that, if it's important to them, customers know the lowest price and unless you have something special and valuable to offer, your margins will continue falling and customers will increasingly drift away. Cheap is easy

but the fixation with discounting is driving pharmacy profitability into the ground. The only exception now is PBS generic dispensing, which should hold up for the next three or so years.

## ANSWERING THE QUESTION

The key is to enhance the customer's experience, which is why I wrote the June 2011 article 'Low rate cuts both ways'. This proposes valuing a pharmacist's time and expertise depending on their contribution to the customer's experience.

Pharmacy does not just have to be about price and convenience dispensing, with a bit of advice tendered from time to time when deemed suitable or there is time.

## SO MAKE A DECISION TO STAND FOR SOMETHING DIFFERENT AND DELIVER IT

Consider the customer's perspective and the experience your pharmacy offers them compared with the rest.

The pharmacy and pharmacist who puts the customer first and lifts value by offering and delivering the highest quality healthcare offer are doing well. By positioning themselves above the pack, including getting rid of redundant features, replacing them with skills and value-adding strategies (including stock mix) that matter, they can achieve double-digit growth.

Improving stock mix quality leads to sales increases and reinforces the customer's perception about what the pharmacy actually stands for.

The same can just as easily be applied

to improving the quality mix of staff skill-sets offered to customers.

## PHARMACIST/CUSTOMER ENGAGEMENT

For the past 12 months I've worked with Glenn Guilfoyle of The Next Level, an expert systems time-and-motion specialist, who late last year analysed dispensary effectiveness (as opposed to efficiency) in pharmacies throughout Australia.

He proved that the average health-related product sale was significantly greater when the pharmacist/customer engagement was high. The health-related average sale per customer for the traditional pharmacies was around \$4. Yet pharmacies that always had a pharmacist at the front, not bogged down in script assembly and who engaged the script customer more

than 80% of the time achieved in excess of \$9. The difference was \$5.08 and these pharmacists said they had only scratched the surface!

This is about health-related products that enhance customer health and/or enhance efficacy of the medicine dispensed. Further, anecdotal evidence suggests that the customers also enjoy the experience and interaction with the pharmacist. Build margin dollars through customer engagement and never forget delighted customers will bring you customers!

## VALUING THE ENGAGEMENT

Focusing on two of the pharmacies Glenn analysed, we see this

approach impacting on whole-of-pharmacy performance well above industry average growth and profitability.

Compared with the same period last year, customer numbers were up 7.4% and 12%, gross margin holding at 36.3% and 36.2% (they don't price-match) and net profit/sales (EBIT) of 16.1% and 12.5% respectively. Yet they started with the same traditional pharmacy model as everyone else but worked for three years on improving quality.

Using Glenn's data, for a traditionally operated community pharmacy dispensing, say, 55,000 scripts per annum comprising 30,555 script customers, there is a minimum increase in health-related product sale potential available of \$155,000 or increased gross profit of \$70,000. And this ignores the value of the customer goodwill created due to their enhanced health experience.

The cost of doing this is negligible if the pharmacist and technician can simply swap roles. But, conservatively, if we assume additional pharmacist time of 30 hours per week at, say, \$35 per hour, the annual wage cost increase would be \$55,000. Even the full-time cost of \$69,000 would be fully covered simply from the additional sales potential.

So make a decision to stand for something different and deliver it. A good day isn't just about dispensing 300 scripts (profitability of which will shrink) as much as it is about helping 100 people stay well or get better. ■

1. Paul Marshall. Salmat. Turning disruption to advantage. Online Retailer Roadshow. Brisbane 3 June 2011.