



Why 32% more headaches?

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'There are two ways to face the future. One way is with apprehension; the other is with anticipation.' Jim Rohn 1993

When reviewing the re-merchandising results achieved in October and November 2010 by the provincial pharmacy summarised in last month's column one of the owners remarked to me: 'Why are customers suffering 32% more headaches?'

He, like his partners, thought the market size for medicines was fixed. This is a common view and often results in growth being sought in areas other than healthcare that generate a net loss.

Despite the existing negativity pervading pharmacy owners, let's consider available up-side strategies that can help pharmacy to look forward 'with anticipation':

1. **Dispensary revolution—creating efficiency and a health solution centre.**
2. **A permanent front-of-store pharmacist—patients want this and are delighted with pharmacist access.**
3. **Alter practice strategy from product only to patient health outcomes.**
4. **Become a disease state expert indispensable to your patient group.**
5. **Focus profit building on achieving 'real growth'.**
6. **Reinvent underperforming retail offer, particularly S2 and S3.**
7. **Adopt a different mindset—compete by not competing.**
8. **Integrate services with existing activities.**
9. **Complement existing bricks and mortar offer with online.**

One of the easiest of these to do is point 6—addressing the retail merchandise offer—which is what

the previously mentioned provincial pharmacy did in September 2010.

ANALYSE CURRENT PERFORMANCE

To begin, the retail manager conducted a comprehensive retail audit including:

- **how the pharmacy looked to the customer externally and internally;**
- **how the staff presented and interacted with the customers;**
- **where product was placed, adjacencies and ranges; and**
- **price of known value items.**

This analysis demonstrated what the pharmacy offered customers and how it ticked the boxes required for them to make a purchase (convenience, range, price, knowledge, right product, location and signage), which sections required attention and which ones required some control (eg. gift versus vitamins).

Department shelf space linear metres (lm) were measured and department performance determined, giving a good indication of what was important and what was not. A 'mud map' floor layout was drawn up identifying their location.

CHANGES MADE

Vitamins: Moved to the front of the store where the pharmacist/naturopath was stationed, after removing the specials section. Vitamins ranging was increased to accommodate more general vitamins such as calcium supplements and market-leading lines.

The vacated vitamins space was used to improve the continence offer

by more than doubling shelf space and relocating continence from the back wall to a gondola.

Medicines: Changes here freed up an extra 10.8 lm of shelf space behind the service counter which held traditional medicines and digestive health, all of which occupied 52 shelf lm. This was expanded to 69.3 lm allowing better merchandise presentation, ranging and multi-facings with generic alternatives placed next to market leaders. Digestive health stayed at 18 lm and moved forward of the dispensary to a gondola accessible by the customer.

Stock what customers want: The POS was consulted for information on rate of sale and products that didn't perform were removed. All products now faced the customer (not side-on) to improve their product identification. Many non-core lines (eg. razors, shampoo, 'specials', hair colours, deodorants and 'supermarket' skin creams and ranges with too many unnecessary shelf-filling variants) were cleared because they didn't contribute to profitability.

Improve service and efficiency: The service counter at the front was cluttered with a 'mishmash' of convenience products. Extra shelves were added utilising free wall space and stocked with market leaders set into sections to make recommendation and sale easier.

These changes enabled: the customer to see the product easily; staff to find product quicker enhancing the professional image given to the customer; clean and ticketed stock; and customers to feel more welcomed by having less clutter at the store entrance.

THE CHANGE RULES

- **Justify all product changes and retentions with POS profitability data (no room for 'I reckon').**
- **Leverage advertised lines—what is in the public eye.**
- **Leverage market leaders—the customer knows them not their poor cousins.**
- **Support products with stock weight (no single units).**
- **Use multi-facings, particularly for market leaders, and no blank spaces.**
- **Ensure all stock keeping units have clean, clear shelf labels.**
- **Professional ticketing—no hand-written signs.**
- **Appearance—keep shelves clean and replace broken or yellow shelf stripping.**

RESULTS

These changes helped the pharmacy achieve the following increases in the October–December 2010 results compared with 2009: cold and flu 24%; pain 18.5%; eye/ear 7%; general medicines 14%; first aid 8%; all vitamins 9.5%; therapeutic skin 22.5%; incontinence 25%; all OTC sales 24%; dispensary sales 9.7% ex \$100; customers 14.3%; script numbers 10.9%.

The answer to the owner's question about headaches increasing was that customers had been buying pain remedies elsewhere such as supermarkets, online or when visiting other pharmacies. Having cleaned up the pharmacy offer, customers returned and bought more, particularly the products that mattered to them.

So this pharmacy's team is no longer 'apprehensive' about the future; they're going for it! ■