TRADITIONAL PHARMACY CASE STUDIES
“pharmacy as a networked group”

Case Study One

Traditional Pharmacy

Background Information

This pharmacy is located in a suburban shopping centre in a large inland city. The pharmacy is a member of a large, privately owned pharmacy group. The pharmacy group has a core focus on the provision of primary health care services and has had a well-established name in the community for over thirty years.

The managing partner of this pharmacy has worked in the group for 16 years but became a pharmacy owner two years ago. The support provided by the group’s unique structure facilitated the pharmacist’s entry into pharmacy ownership at a relatively young age. The pharmacy owner balances a young family with pharmacy responsibilities. According to the owner, this pressure could not be effectively managed without the support provided by head office which is invaluable in freeing up time for the owner to run the pharmacy. The pharmacy is of average size (between 130 – 190 sqm) with a higher than average ratio of prescriptions to front of shop business (over 73%). According to the owner this is due to the large numbers of older customers in the immediate neighbourhood.

The pharmacy follows the group strategy of focusing on their established name and reputation for the provision of trusted health advice, products and service. Many of the pharmacies in the group have a particular product or service area in which they specialise. This particular pharmacy has a substantial range of home health care equipment and receives referrals for this service from the other pharmacies in the group.

Customer Demographics

The managing partner believes the immediate suburb, from which the pharmacy has most of its customers has a high concentration of both retirees and families with young children. Data show a low concentration of retirees (but growing) and a higher proportion of families with children, but overall population is declining.

Census data show a high concentration of 40-59 year olds (see Graph 1) which is much higher than for the rest of the state (27%) and Australia. Data also show fewer people over 60 compared to the state. But this area is undergoing dramatic demographic age changes as the younger people move out and the older people move in. See Graph 2, which indicates the state trend is amplified in this suburb. The suburb is growing at twice the rate as Australia for 50-59 year olds (56%), reducing strongly for 40-49 year olds (-21%) and 4 times the growth rate for 60 and over (44%).

There are a high proportion of families in the area (86%). 42% of those families have young children under 15 (which is about the state and Australian average). This is a high income area, with median individual weekly income of $500-599. Family incomes are also high (weekly median $1200-1499). There are a high number of professionals with a large proportion of the population in the labour force and low unemployment.

Most of the pharmacy’s customers are regulars who come for their prescription needs, for front-of-shop items and for home health care equipment.
Pharmacy Strategy

The pharmacy’s strategy is based on that of the network to which it belongs. The pharmacies in this group demonstrate their trusted health image by focusing on their local communities’ needs. This position has recently been reinforced by new group-initiated programs.

Previously, the group used local television for their promotions and marketing. However, they have now redirected their marketing budget into various forms of community sponsorship which they believe to be better aligned with their core market position. Pharmacy staff are encouraged to put forward details of the community groups they are involved in for consideration for corporate sponsorship. The pharmacy group does this as a way of connecting with the community through their pharmacy staff and to motivate their staff. The decision to redirect this money was made collaboratively by the pharmacy partners with the allocation of money decided by a ballot system. This exemplifies the group decision-making process which is central to this pharmacy network’s strategy.

The group is made up of approximately 30 pharmacies across Australia in both rural and city locations. The partners have scheduled monthly meetings to discuss management issues, including potential new business opportunities for the group. Those partners unable to attend are informed of the meeting outcomes. All the members are in constant communication with other group members via the Internet. In the owner’s view this structure makes the group much more than a “buying group”. It facilitates a team-based approach whereby each pharmacy is guided by the group’s strategy and vision rather than acting as independent businesses.

The group also has a trainee program and supports a number of pharmacy students through their studies. This gives them the opportunity to nurture and encourage entrants into their field and it also provides them with a pool of young pharmacists in the area.

The group’s strategy focuses on customer service over price competition. The recent introduction of two discount pharmacies caused the group to reassess this decision. Their commitment to focusing on customer service was reinforced as a group but the pharmacy owner acknowledged that the pharmacy will match advertised prices for regular pharmacy customers. This, however, is not a regular occurrence.

The owner of this pharmacy identified an increase in competition from different sources, including other health care professionals. However in the owner’s opinion, being part of an established group was the most effective way to overcome this increased level of competition. This owner has a pecuniary interest in two pharmacies that are in close proximity. These two pharmacies work closely together and exchange stock and staff regularly in order to function more effectively.

Pharmacy Processes and Systems

KEY ROLES

The pharmacy is run by the managing partner who works three days a week. A salaried pharmacist is employed part-time with the group head office supplying the administrative support functions. There is a team of 10 pharmacy assistants and additional casual staff to support the pharmacist. Selected staff members have training in pharmacy areas such as sports medicine, first aid and wound care. All staff members are aware of their roles within the pharmacy. Category management is not used as the owner believes that it is important for staff to be familiar with all the areas of the pharmacy.

Senior staff are rewarded for high performance by the opportunity to attend partner-related functions. Paid staff meetings are held monthly for all employees. The owner also financially supports staff for pharmacy training that they undertake.

The operational activities of the group head office include: central buying operations, payroll, tax and financial reporting, information technology and system requirements, advertising and marketing strategy, and support and recruitment. This allows the pharmacy owners to concentrate on their professional duties and customer service. There is also a centralised warehouse for over the counter product buying and the individual pharmacies order these from the warehouse as needed.

At this pharmacy, the owner uses a participative management style and encourages the staff to ask questions and seek further information. Exit interviews and staff appraisals are a standard part of the operating procedures at the pharmacy.

CO-OPERATION IN THE PHARMACY NETWORK

Importantly, the group structure provides a close network of pharmacist peers to discuss issues, share ideas, propose new developments etc. These pharmacists range in age and experience which allows for knowledge sharing across the group. The group also shares resources such as a central email facility for communications.

TEAMWORK

Teamwork across the group, and the idea of “strength in numbers”, is a central component of the group’s corporate philosophy. Being part of a larger structure also motivates the owner who enjoys having a network of pharmacists to share knowledge and discuss pharmacy issues.

PROFESSIONAL RELATIONSHIPS

The owner has a good working relationship with the doctors and other health care professionals in the surrounding area. Dose administration aids and home health care services are actively promoted to local GPs. However there is no formally defined strategy for developing more team-based relationships with the local primary health care team at the community level.

TECHNOLOGY

The group uses some standard technology including a ordering system and a central email facility for communications. Technology is viewed as a means of facilitating the group’s operations and the pharmacy is equipped with broadband Internet connection to assist inter-network communications.
Product & Service Offering

This primary focus of this pharmacy is on the elderly customers who make up the core group of regular customers. A lesser customer focus is on mothers with young children. According to the owner the latter customer group is not captured by the pharmacy’s product/service offering. Mothers of young children appear to use the pharmacy in order to familiarise themselves with newborn related issues but they do not continue as regular customers.

The pharmacy provides the following services to the local community:
- Traditional front of shop and dispensary
- Home health care equipment for hire (walkers, commodes, crutches, wheel chairs, shower stools, incontinence aids etc)
- Dose administration aid service (approximately 20 patients)
- Medication reviews (through the group)
- Blood pressure monitoring ($5 fee charged)
- Ear piercing

The pharmacy has no private counselling area so a short questionnaire is provided to customers who require Pharmacist Only medicines for sensitive issues e.g. emergency contraception. This gives customers some degree of confidentiality about medical-related issues before they are counselled by the pharmacist.

New Products & Services & the Implementation of Change

The most recent and significant change implemented in the pharmacy is their dose administration aid service. Previously this service was offered to customers but it was outsourced to another pharmacy in the group. This arrangement proved to be financially and logistically inconvenient for the pharmacy. Late changes in medications were difficult to process and sometimes there were delays in receiving the packs. The charge for this service was passed directly to the outsourcing pharmacy so that the service was being run at a financial loss.

After considering the inefficiencies the owner decided to provide the packs in-house. This required the installation of new software and new workflow management. The owner has established a system for all staff when processing the collection of these so that this procedure is standardised and all collections can be properly monitored.

Although twenty customers are using this service at present, it is not considered to be profitable by the owner and an additional administration fee for new customers wanting dose administration aids is being considered. However, it is a valued added service that is helpful to the older population in the local area and financial viability is established through increased prescription volume. This is a potential growth area for the pharmacy but it is constrained by a lack of space in the dispensary area.

While using the pharmacy network to provide the dose administration aid service to the community was not successful, this type of collaboration is effective for the provision of other services. For example, this pharmacy does not have an accredited pharmacist for Home Medicine Reviews (HMRs) but there are ten accredited pharmacists available in the network. Any HMR requests are sent to the closest, resourced pharmacy. This solution provides the community with a needed service without putting additional pressure on the pharmacy.

Potential Implications for Change Management

- Traditional pharmacies are less likely to implement services that are non-government funded and are far more likely to cite reliance on government funding for services than other pharmacies. They appear less proactive about launching new services particularly if no government funding is available.
- Traditional pharmacies appear less likely to voice a positive view on the future of pharmacy particularly as it relates to competition.
- Members of pharmacist-owned pharmacy groups can be conformist. They are happy to be part of a group, less likely to be individualistic as conformity is required to be part of the group.
- Many traditional pharmacies view everyone as competition – discount pharmacies, supermarkets, even doctors selling medications direct.

“You’ve got the older partners, and then you’ve got younger partners coming in so you’ve got this broad spectrum of knowledge you can draw on”
Financial Information

OVERVIEW
This is a long established business in a suburban shopping centre, operating within a small local buying and support group. Based on the data collected it is a small to medium sized business with low sales growth.
In terms of Sales per square metre ($13,941 psm) this business is in the top 40% of the Case study sample and it is also in the top 40% of cases as measured by Contribution per square metre ($2,869 psm).
The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE
The pharmacy achieves a financial performance score of 74.8 which is low compared to the Sample index but well above the Australian average of 63.0.
This is reported as a pharmacy with traditional front of shop and dispensary and a range of products directed at its identified demographic customer base. It also provides services such as ear piercing and blood pressure testing. Its score reflects reasonably strong script volumes and the moderate turnover that is being achieved.

COST STRUCTURE
With a score of 94.6 compared to the Sample index and 97.0, this pharmacy is a relatively low cost structure business.
With group buying power, reasonable margins, moderate rent levels and moderate salary rates this pharmacy appears to be managing its cost structure well in comparison to the reference indexes.

RISK
The high risk score of 122.2 is derived as a composite of business and operating risk scores.
This pharmacy is high risk on its business risk dimension and low risk on its operating dimension as used in this financial analysis. It reports relatively high sales variability, in terms of highest to lowest sales months and this may be explained in terms of seasonal influences.

INDICATIVE VALUE
With an index score of 130.2 this pharmacy is one of the highest ranking businesses in the Sample by this value measure. While this may appear unusual at first sight because of its high risk score, its low costs index combined with financial performance that is still better than the Australian average makes this a very solid business performer. As such it is indicative of traditional community pharmacy that is financially well managed and producing results that are acceptable for its scale, location and operating profile.

Key Learnings from this Case Study
- Belonging to a management group brings several advantages including a close network of professional peers and the central administration of business and marketing activities which reduces the workload of individual pharmacy owners
- Developing strong ties within the local community helps to establish the pharmacy and its staff as integral, committed and valued members of the community

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and is interested in the professional counselling aspects of pharmacy. The owner believes services such as Home Medicine Reviews and compounding will be more professionally satisfying as well as enhancing profits. The owner has been trying for a number of months to hire a part-time salaried pharmacist to enhance the professional services offered but due to a shortage of pharmacists in the area, this has not been possible.

Other professional services were have currently been put on hold due to time constraints and the lack of additional staffing. Future change for this pharmacy depends on the successful recruitment and retention of a salaried pharmacist who can take on the dispensing duties. The owner hopes that this potential change will give them the opportunity to focus on developing the professional services in the pharmacy.

Customer Demographics

The core customers are identified by the owner as being elderly pensioners living in the immediate area. According to the owner, at least 80% of the pharmacy’s regular customers are on pension or concession cards. Census data indicates those over 65 years of age are a decreasing population group in the area. Yet, there is larger proportion of those not in the workforce in this area than in the state.

This was a low to middle income area but the weekly average individual incomes ($500-599) are now at the state average. The household average incomes ($800-999) are still lower than the state average. There are large numbers of 40-60 year olds, mainly professionals, moving into the area, not the young families that the pharmacist believes to be the trend. There are also fewer children under 15 years of age than in the rest of the state (decreasing from 5 years ago). Previous high unemployment is moving closer to the state average (but well below the Australian rate). It appears that this pharmacy is not changing to meet the new dynamics of the population.

Graph 1 shows a large proportion of people aged under 39 in the area. Combined with increasing 40-59 year olds and shrinking 60+ year old categories indicates that the pharmacy may need to consider changing its target market and therefore its product and service mix.

Graph 2 shows that the 40-49 year old age group is growing fastest in the area and faster than the state (or Australia). In Australia 60+ year old category is increasing at 10% (over the last 5 years). In this area this target group (the staple customers of this pharmacy) is about the same in actual numbers of people but is reducing rapidly by 8% in 5 years). There are also fewer women in the age groups over 40 years old. This may not influence the shopping habits of the household or the customer mix in the store. There may be an opportunity to and offer services to satisfy the professionals over 20 and especially over 40 years of age.

Background Information

This independent pharmacy is located in a small suburban shopping strip in a large regional city. It has been owner-operated since its purchase eight years ago. It is open six days a week and supplies its local community with a range of traditional pharmacy products and services. The owner strives to provide a high level of personalised service to a predominantly elderly customer base and has a high percentage (over 79%) of sales in prescriptions, about 130 scripts per day.

The owner is currently investigating expansion into new professional areas and is interested in the professional counselling aspects of pharmacy. The owner believes services such as Home Medicine Reviews and compounding will be more professionally satisfying as well as enhancing profits. The owner has been trying for a number of months to hire a part-time salaried pharmacist to enhance the professional services offered but due to a shortage of pharmacists in the area, this has not been possible.

Other professional services were have currently been put on hold due to time constraints and the lack of additional staffing. Future change for this pharmacy depends on the successful recruitment and retention of a salaried pharmacist who can take on the dispensing duties. The owner hopes that this potential change will give them the opportunity to focus on developing the professional services in the pharmacy.
Pharmacy Strategy

The owner has worked hard at building customer loyalty by providing high quality service, knowing people by name and spending time with them over the eight years in the business. The owner enjoys the professional aspects of the role and spends 50% of the day counselling for prescriptions and over the counter medications. The customers show their loyalty and appreciation by often waiting specifically to speak to the owner. The owner has made a conscious decision to remain an independent pharmacy despite the perceived disadvantages such as a lack of buying power and the inability to source locum pharmacists (who often choose to work for the larger banner groups in the area). The owner prefers to retain the pharmacy’s independent status, citing the “freedom” associated with being an independent as the major benefit.

To help counteract the buying disadvantages associated with being an independent pharmacy, the owner has joined a network of Independent Pharmacies who provide marketing support in the form of catalogues, posters and other promotional material which is distributed to local residents using letterbox drops. However, the pharmacy has had to introduce product lines that were not previously carried and the pharmacy network regulates the retail prices for these items.

This is the only pharmacy in the immediate area. However, it is near a neighbourhood supermarket which competes in front-of-shop and retail products. The owner has developed a good relationship with the pharmacists who own two other independent pharmacies in the area and they have formed a buying group. They alternate the responsibilities of ordering and redistributing stock from the larger pharmaceutical manufacturers. This strategy helps them to be price competitive with the larger banner groups.

Strategically, this pharmacy focuses on the needs of its local customer base (see Product & Service Offering) and serves the community to the best of its ability.

Pharmacy Processes and Systems

KEY ROLES

As a sole pharmacist, the owner oversees all of the functions within the pharmacy, including book keeping. The pharmacy employs one full-time pharmacy assistant and two part-time shop assistants.

REPORTING IN THE PHARMACY

There is no formal review process for the three staff but they have a clear understanding of their roles. They have all been employed by the pharmacy for some time. Training is on-the-job and by attending pharmaceutical company training evenings. One assistant has indicated interest in doing the Guild dispensary assistant course. This is supported by the owner since it will allow more time to concentrate on other pharmacy matters if there is a better qualified pharmacy assistant on staff.

PROFESSIONAL RELATIONSHIPS

The owner has established good relationships with the local doctors and the nearby medical centre. Recently some of the doctors have approached the owner to conduct Home Medicine Reviews (HMR) for their patients. Despite this direct approach and interest in undertaking this service, the owner believes the request cannot be accommodated due to the inability to employ another pharmacist.

TECHNOLOGY

The pharmacy uses a standard dispensary system and the owner is considering a point of sale system for the front-of-shop. While the owner has Internet and email access, these are not used to communicate with other health care professionals or customers. The owner does not see communication technologies as an essential aspect of the business.
Traditional Pharmacy

Product & Service Offering

This pharmacy focuses on offering traditional pharmacy products and services to its local community. These include:

- Prescriptions
- Limited range of beauty and skin care products
- Limited range of complementary medicines
- Small range of gift items
- Dose administration aid service (approximately 20 patients a month)
- Blood pressure testing (free of charge)
- Compounded medications (approximately 10 creams a month)
- Home health care equipment for hire (occasional hire/limited range)

The owner previously provided a relatively profitable methadone service to approximately 20 customers. The methadone customers were sometimes required to wait for long periods for their medication as there is only one pharmacist present in the pharmacy. It became difficult to manage the methadone service as well as the many other prescription customers, so the methadone service was discontinued.

The dose administration aid service was in place when the owner bought the pharmacy. The packs are initiated by the local GPs. This service has grown slightly over the last eight years. The pharmacy used to pack for aged care facility in the area but this was discontinued as it was too time consuming.

The pharmacy stocks gifts, beauty and skincare products as a convenience for its elderly customers because it is the only pharmacy in a small shopping centre. The nearest other centre is 10 minutes away. These items use a large area of floor space but are seen by the owner as a convenience that the regular and core customers now expect.

New Products & Services & the Implementation of Change

The owner is particularly interested in implementing HMRs and compounding. The owner noted that customers were predisposed to natural therapies which could be another opportunity to be pursued. In the near future there will be two or three more GPs opening close to the pharmacy and this may provide an opportunity to increase the scope of the business. In order to capitalise on these opportunities, the owner expressed the need to employ a permanent pharmacist. This would allow expansion of the business into other services offering opportunities for growth.

The owner is now considering recruiting a pharmacy graduate and employing the person through their registration year.

Potential Implications for Change Management

- The shortage of pharmacists or skilled assistants (evident in city and country areas) will inhibit the introduction of new professional services. It can also result in existing services being discontinued. Options should be provided to small pharmacies to overcome skilled staff shortages.
- Typically, smaller traditional pharmacies lack formal human resources processes. They will need to develop these processes to become larger, more complex businesses with a wider range of services.
- Pharmacists can be predisposed to the development of new professional services for personal growth, for interest and to satisfy a need in the community. But they see significant personal barriers like time and not being able to satisfy existing expectations as outweighing the benefits. Financial assessment is not usually undertaken.
- Re-allocation of floor space would be necessary to offer additional professional services. This physical change and the financial assessment may not be within the skills or interest of the pharmacist and may affect the success of any new services introduced.
The financial analysis considered to provide an Australian average data bases and is published by the Sample. This is based in which is indexed to the Australian average. It is achieving average gross margins (32-33%) in a market where it is highly reliant on prescription business. It is also a low growth pharmacy with some reported sales variability, which may be seasonal.

Financial Performance

The pharmacy’s data produces a financial performance score of 45.3 which is one of the lowest in the Case study Sample group and is well below the Australian average of 63.0. This is a reflection of the pharmacy’s relatively low script volumes that represent a significant percentage of its business, and low turnover compared to the other benchmarks. Its performance achievement is considered to be consistent with its size, scale and nature of operations.

Cost Structure

With a score of 92.9 relative to the Sample index and one that is below the Australian average of 97.0, this is the profile of a relatively low cost structure business. Its Cost of Goods Sold ratio, small staff numbers and salary costs and reasonable rent for its floor area are driving this result.

Risk

The risk score of 92.5 is determined as a composite of business and operating risk scores. This pharmacy is moderate risk compared to the Australian average with a very high business risk being offset by a low end operating risk. This is a high proportion prescription business that is enjoying reasonable margins given this focus.

Indicative Value

This pharmacy achieves an index score of 153.7 making it the second highest ranking business in the Sample in terms of its indicative value. This is reinforced when this is measured in combination with the contribution margin that is achieved for its predominantly prescription based activity. This analysis suggests the interpretation that a pharmacy operating in a predictable environment with moderate overall risk scores and low costs variables will achieve high relative value.

Key Learnings from this Case Study

- The shortage of pharmacists is evident in both city and country areas and has huge implications for the implementation of new professional services. The skilled labour shortage can also result in existing services being discontinued with pharmacists forced to concentrate on their core supply role.
- Traditional pharmacists are keen to expand their knowledge and provide more comprehensive service but are less likely to implement innovative solutions to overcome barriers and constraints (like resourcing).
- The disadvantages of independent pharmacies can be partially overcome by forming small networks of local pharmacies to increase buying power.
- Traditional pharmacies have a personal relationship and therefore more loyalty from existing clients. This would reduce the risks of introducing a new service because of the “captive audience”.

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"small town pharmacy"  
Case Study Three

### Background Information

The pharmacy is located in a rural town, approximately 45 kilometres from a large regional centre. It is the sole pharmacy business in the town. An average-sized pharmacy, it has been managed by its two owner partners for the past three years. The town is close to a popular, regional tourist attraction and the area attracts large numbers of tourists for weekends and short stay holidays. There has also been an influx of new, “weekend-only” residents purchasing properties in the local area. This has caused property prices and rents in the town to increase dramatically in recent times.

The pharmacy's customers are predominantly older residents living in the town and outlying areas. The area, however, is undergoing significant population changes (see Customer Demographics) and maintaining profitability in this environment, rather than the development of new professional services, has become the key focus for the pharmacy’s two partners.

Currently the pharmacy provides a number of professional services to the local rural community including dose administration aids, a methadone service and Home Medicine Reviews (HMRs). It also provides services to two local aged care facilities and a residential facility for people with disabilities. Smaller neighbouring towns do not have community pharmacies so this pharmacy provides a regular delivery service to a number of home-based elderly residents in surrounding areas, up to 20 kilometres away. The pharmacy holds their prescriptions and supplies and delivers medications when needed as a community service.

The pharmacy fills around 200 scripts a day, predominantly for pension and concession card holders. The pharmacy is open six and a half days a week. Despite many additional people in the town during the weekend, there is not a significantly increased demand for the pharmacy's products and services.

### Customer Demographics

Although there is a large regular influx of tourists to the area, the core customer group for this pharmacy is the resident population in the town and surrounding areas. The partners estimate that at least 90 percent of the customer base is local. With relatively high priced housing and higher unemployment (8.4%) compared to the state average (6.8%), there is a decline in the number of young families. The partners believe the families are moving to the city or larger regional centres where the employment prospects are better and housing is potentially cheaper. The data shows that the average household size is lower than the state (2.4 versus 2.6) and the median age is 40 compared with the state median of 35 which indicates larger families and those with young children are moving out. The older population is also illustrated in Graph 1. 50% of the areas population are over 40 years old compared with 33% in the rest of the state. There is low growth of the population in these age groups.

The area is not growing and does not follow the high growth of the 60+ age group which is the trend for the state and Australian. Median weekly household incomes are $500-599 compared to the state average of $800-899. Rents are low.

[Graph 1: Area Population by Age Group for 2001]

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Pharmacy Strategy

The pharmacy provides a traditional range of pharmacy products and services to the local community. It has a long established presence in the town and serves as part of the front-line of health care in the local community.

As is the case in most small rural communities, the majority of the pharmacy’s customers are well known to the partners and customers expect a high level of personalised service.

The pharmacy’s position as a front-line health care provider is extended to the provision of a number of professional pharmacy services. The pharmacy has an arrangement with the local hospital and community health centre to present a series of health lectures to the hospital nursing staff and to various community groups. This is regarded as a community service and is not charged for by the pharmacy. The pharmacy also provides a dose administration aid service and supplies packs to a number of residential and home-based customers. Although these services are not perceived as profitable by the owners, they are continued as they are seen as integral to the pharmacy’s core function for the community.

Other professional services delivered by this pharmacy have been driven by market demand rather than being initiated by the partners. In addition, this area has a proactive MMR facilitator who has driven the uptake of Home Medicine Reviews (HMR) in the area (see New Products and Services).

As a sole pharmacy in a small town, this pharmacy saw advantages in joining a banner group. The benefits of belonging to this group are the merchandising support, a loyalty club for customers, a range of printed information and generic over the counter medicines.

In addition to the banner group, the pharmacy belongs to a buying group that provides them with significant price discounts. This helps the pharmacy stay price-competitive with larger pharmacies in the nearby regional centre and with a large supermarket in the town.

The pharmacy loses some business to the nearby regional centre pharmacies as many local residents shop there on a weekly basis. Mail order pharmacy used to have a significant presence in this town but has recently reduced its advertising in the area. This competition is not viewed as an overwhelming threat by the owners.

Pharmacy Processes and Systems

KEY ROLES

The pharmacy is managed by two partners who share the professional duties. The owners also analyse the pharmacy’s financial performance on a monthly basis. The pharmacy employs a consultant pharmacist to conduct the HMR review process as neither of the partners is accredited. The pharmacy employs a salaried pharmacist twenty hours a week to cover some of the dispensary duties. This area, like most other rural areas, is currently experiencing a chronic shortage of pharmacists.

The pharmacy also employs six pharmacy assistants including a retail manager who is responsible for the front of shop buying and dealing with the pharmaceutical company representatives.

PROFESSIONAL RELATIONSHIPS

The pharmacy has good working relationships with the doctors in the town’s two medical centres. As it is a small town, the inter-professional relationship can, at times, be continued on an ad-hoc and informal basis. This allows the pharmacists to create stronger relationships with other health care professionals in more informal environments and consolidate their working connections to potentially a greater degree than urban pharmacists.

Additionally, the pharmacy is involved in a joint health care meeting of pharmacists and general practitioners in their area. This group, which previously received funding to reimburse participants, is now run on a voluntary and more informal basis. This provides an invaluable opportunity to network with other pharmacists and general practitioners in the neighbouring towns.

It is from the initiative of this small group that further Government-funded collaborative work between general practitioners and pharmacists has been allocated to the region. This collaboration is based on the use of technology in health care and has had some teething problems but the group is working towards an environment in which the sharing of information and closer relationships are standard practice between these two groups.
Traditional Pharmacy

Product & Service Offering

The range of products and services provided by this pharmacy highlights its important position as a front-line health care service provider to the local rural community it serves.

- Prescriptions and limited range of over-the-counter medications
- Prescription service to aged care facilities and residential centres for people with disabilities
- Prescription delivery service to outlying area
- Methadone/Subutex service (approximately 15 patients)
- Dose administration aid service (approximately 75 patients)
- Community education
- Home Medicine Reviews (3 to 4 per week)
- Limited range of home health care products

New Products & Services & the Implementation of Change

When considering new products and services to introduce in the pharmacy, the partners admitted that the limited population size and lower socioeconomic status of the area were key considerations.

This pharmacy has only recently started providing HMRs and this was driven largely by the MMR facilitator who is proactive in this area. The partners were initially reluctant to take on this service because of scepticism about profitability. The partners did not believe that there would be sufficient demand in the area to warrant either becoming an accredited pharmacist.

Despite their reservations the partners agreed to undertake the service. One of the partners undertakes the interview with the patient at their residence and the completion of the review is carried out by an accredited pharmacist in a neighbouring town. Once the consultant pharmacist's fee is taken out the pharmacy retains little profit from providing this professional service.

The aged care facility service that this pharmacy provides has evolved over time. Previously it was limited to medication supply initiated by the nurses from the facility who then checked the medicines and faxed through any changes. The system proved to be inefficient so the pharmacists elected to take over this function and charge a management fee for their time.

Given the ageing population, a potential area of future expansion is home health care. The owner believes, however, that the lower socioeconomic status of the area will greatly influence the customer take-up rate of any aged-care services offered. Additionally, expanding in this area requires a greater capacity for additional equipment. The high rents in the town are a deterrent from expanding their current floor space.

Potential Implications for Change Management

- Owners of small traditional pharmacies in rural areas with stable or declining populations may be reluctant to initiate a range of professional services – particularly when there is little financial incentive to do so
- Even where demand for services develops, traditional pharmacists may be cautious in following demand rather than attempting to stimulate it
Financial Information

OVERVIEW

This is a small town average size pharmacy in a neighbourhood shopping location operating as part of a large banner group. Based on the data collected it is a small to medium sized business with moderate sales growth and strong prescription volumes that account for some 65% of its turnover.

In terms of Sales per square metre ($13,941 psm) this business is in the top 40% of the Case study sample and it is in the bottom 44% of cases as measured by Contribution per square metre ($1,913 psm).

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE

The pharmacy achieves a financial performance score of 74.8 which is low compared to the Index but well above the Australian average of 63.0.

It is an established business in a rural community and is servicing an older demographic mix of customers. It is still achieving a reasonable front of shop percentage of turnover in these circumstances according to the data provided.

COST STRUCTURE

With a score of 102.7 compared to the Sample index and the Australian average of 97.0, this pharmacy has a slightly higher cost structure but none of the measures used in determining this score are abnormal.

While group buying power may be assisting the pharmacy to remain competitive with its competitors in the major nearby larger regional town, the Cost of Goods Sold component is relatively high and is weighting this score.

RISK

The risk score of 106.3 is greater than the Sample and well above the Australian average and is derived as a composite of business and operating risk scores. A high business risk score is weighting this result and this may be explained by its reported relatively high sales variability, also low % of prescriptions in proportion to total turnover and low growth. This in turn may be explained in terms of seasonal influences, particularly in the circumstances of a pharmacy with a reasonably high proportion of pension and concession card prescriptions. This is a stable traditional pharmacy in a known market/demographic environment that is being managed as a mature business.

INDICATIVE VALUE

With an indicative value score of 72.4 this pharmacy is a lower end performer by comparison to the Sample for this measure and significantly below the Australian average.

As a Traditional community pharmacy with a fairly narrow customer demographic profile, this business has reported a limited scope for product and service extensions and this may be reflected in this indicative value result.

Key Learnings from this Case Study

- Potential market size is an important consideration when considering the introduction of new professional services. A limited market potential may be a significant barrier in small rural communities and these pharmacies may need additional incentives to implement new services.
- The opportunity to consolidate professional relationships with other members of the health care team can be facilitated outside the workplace with greater ease in rural settings. This can benefit the pharmacy when implementing cognitive services.
- Involvement in regional collaborative work with other health care professionals can help to make a rural pharmacy feel less isolated and provide invaluable networking opportunities.
- The use of multiple networking sources, e.g. local alliances, banner groups and buying groups, can help build a viable business.
“medical centre pharmacy”
Case Study Four

Background Information

The pharmacy is located in a medical centre in the suburbs of a large Australian city. As well as the medical practice and the pharmacy, the medical centre provides a number of health care facilities including a dental, podiatry and physiotherapy practice, X-ray, pathology services, and a massage therapist. The centre also has a large fitness centre. The pharmacy has been located there since the centre opened almost 15 years ago. The current owner has been at the pharmacy for three years.

The centre is located at a busy intersection and subsequently the pharmacy and medical centre attract residents from the immediate and nearby suburbs. The owner believes that the location is less accessible to non-local people. The pharmacy has two main customer groups: elderly patients of the medical centre and gym members. Unlike other medical centres, this centre does not attract a large number of walk-in patients.

The high percentage of prescriptions is largely due to the older, medical centre patients while the front of shop products are geared to the gym users. The pharmacy opens for extended hours, seven days a week in line with the operating times of the medical centre.

Prior to becoming a sole proprietor, the pharmacy owner was in a partnership with a number of other owners. The move to being a sole owner was spurred by the desire for more autonomy and flexibility in decision-making and diverse business opportunities. The owner also participates in continuing education programs by attending local PSA sessions and using continuing professional education videos to keep up-to-date.

Customer Demographics

The pharmacy draws its regular customers from the immediate suburb and two nearby suburbs, a small catchment area. Prescription customers are mostly elderly patients, both pensioners and self-funded retirees. Many of these customers have regular doctors in the medical centre that they have been seeing for a number of years. The pharmacy owner said at least 70% of the customers were regular and the owner knew most of them by name. The area has a larger over 60 year old proportion of the population (28%) than the state (19%). The under 39 year olds in the area (44%) is much smaller than for the state (54%) or Australia (57%).

According to the owner the demographics of the area are slowly changing with some younger people moving into the area but this has not had a great impact on the pharmacy's customer profile.

As shown in Graph 1, the census data shows the area is changing dramatically with large growth of under 19 year olds (24%) and 40-59 year olds (33%). There is dramatic reduction in the 20-39 age group (-20%). The over 60 age group is growing (7%), but more slowly than the state and Australia (11.5%). The area is also experiencing the same trend as the state and Australia of large growth of the baby boomers, the 40-59 year olds. The dramatic growth may be caused by the census changes – the area in 1996 was just under 5km2 and the area was extended to 6.6km2 in 2001. This would account for the total area growth of 7% while the rest of the state is growing more slowly (2.6%).

The census data indicates that families with older children have moved into the area. Young families, with children under 15, are a lower proportion of the area (23%) than in the state (39%) and Australia (42%). Families, as a proportion of the area, are slightly lower than the state (72% against 79%). The average household size (2.2) is low compared to the state but has greatly increased since 1996.

The area has 46% of people in the labour force (similar to the state), most of which are professionals or in management and few labourers or trades people. The number of professionals is much lower than in 1996. Unemployment is low (5.7%).

A large part of the area’s population is not in the work force (35%) compared to Australia (28%). The average age is high (44) and a lower proportion of people are in private dwellings. This may indicate a high retirement home area.

This is generally a medium income area for individual ($300-399) and family incomes, and is slightly lower than Australia for median weekly household incomes ($600-699 compared to $700-799).

![Graph 1: Area Population by Age Group - 2001 Census](image1)

![Graph 2: State-wide vs. Local Area Population Growth from 1996–2001](image2)
Pharmacy Strategy

The pharmacy concentrates on its core customer group, the elderly customers, and strives to provide a high level of customised service to this group. These regular customers enjoy the convenience of having several health care facilities located together in the same building which allows them to see any number of health care professionals in the one visit. The pharmacy's direction is significantly influenced by its medical centre location. Specifically, the centre influences its customer base, product and service offering, and trading hours.

Over the last eighteen months the convenience of being located in the centre has been threatened by a number of changes and these have affected the pharmacy. There has been a recent change in ownership at the medical centre and several doctors have left the practice. Many of the remaining salaried doctors have not been willing to work extended hours and, as a result, the centre has changed trading hours without notice. Increased competition in the area has also reduced the number of people coming to the centre. A gradual decline in walk-in customer numbers has impacted on the pharmacy's business. A new primary health care centre has opened up 5 km away located close to a large shopping centre. The GPs in the newer centre bulkbill all patients while the GPs in the older medical centre only bulkbill selected patients. The standard consultation fee for this medical practice has also risen substantially with the ownership change. This has resulted in reduced performance by the centre and subsequently affected the performance of the pharmacy.

Although it is in a somewhat insulated location, the pharmacy has a number of competitors. There has recently been an increase in the number of pharmacies in the area. Close by there is a large shopping area that attracts many local shoppers and within a five kilometre radius there are seven other pharmacies. The gym in the medical centre has also begun to stock sports nutrition products carried by the pharmacy. The pharmacy owner has joined a small buying group of other pharmacies to maintain competitiveness in front-of-shop products.

The management issues in the medical centre have distracted the owner from pursuing new product and service opportunities (see New Products and Services below). The owner-pharmacist employs two part-time pharmacists to cater for the extended opening hours but the lack of locum pharmacists in the area results in staffing constraints. These constraints also influence the strategic direction of the pharmacy and its ability to take on cognitive services.

Pharmacy Processes and Systems

KEY ROLES

As an independent pharmacy and a sole proprietor, this owner is responsible for the professional and business functions of the pharmacy. The owner employs two salaried pharmacists, who collectively work 25 hours a week, and there are four pharmacy assistants. All staff are rotated to accommodate the extended hours of the pharmacy.

PHARMACY STRUCTURE

All of the pharmacy assistants work in the front of shop and the dispensary, swapping roles as required. This provides flexibility and ensures they are able to assist the pharmacist with dispensing duties when necessary.

There is no formal hierarchy in the pharmacy however the more senior pharmacy assistants are responsible for bulk purchasing. None of the assistants are formally trained in the dispensary and experience is generally gained on the job.

PROFESSIONAL RELATIONSHIPS

The medical centre has recently been corporatised, so that it is no longer owned by a group of GPs. The monthly meetings that were previously held to discuss ways to improve the centre no longer take place. These changes in the centre and the lack of a practice manager have, according to the owner, affected the once close working relationships between the pharmacy and the medical centre doctors. While relationships with the doctors in the practice are maintained, it is felt that they are now less interested in working as a team.

Although there still appeared to be a good relationship between the pharmacy owner and the managers of the gym, the owner believes that there is now little incentive from either side to co-operate effectively or to run joint programs. According to the owner, the gym had recently become part of a corporate entity with decisions being made centrally rather than at a local level. The gym has also begun to stock the sports supplement range that the pharmacy also stocks. This effectively meant that the pharmacy was now competing directly with the gym in this area and the owner admitted that the pharmacy tried to hold this business by deliberately undercutting the gym’s prices.

TECHNOLOGY

The pharmacy has four computers with broadband Internet access available on one machine. The owner mostly uses the Internet for non-professional pharmacy activities. The pharmacy has direct telephone lines to the medical practice and the other health care services within the centre.
The pharmacy is an averaged-sized “traditional” pharmacy with a focused range of products including:

- Prescriptions and limited range of over-the-counter medications
- Limited range of beauty/skin care products
- Complementary medicines
- Small range of gift items
- Dose administration aid service (20 customers a month)
- Methadone/Subutex service
- Convenience items including soft drinks, milk, chocolates, lollies, gift cards and magazines
- Sports nutritional products
- Small range of gift items
- Dose administration aid service (30 customers)
- Methadone/Subutex service
- Convenience items including soft drinks, milk, chocolates, lollies, gift cards and magazines
- Sports nutritional products

New Products & Services & the Implementation of Change

Time constraints coupled with the current environment of reduced usage of the medical centre, impact on this owner’s ability to focus on new services such as Home Medicine Reviews (HMRs). The owner has been an accredited pharmacist for seven years and was quite active in-service provision in a previous business. Preliminary meetings were set up between the GPs at the centre and the local MMR facilitator to establish a working relationship to deliver HMRs.

The program, however, has not been used by GPs. The owner found the local GPs lacked enthusiasm for the program and its associated administrative tasks.

Being a sole proprietor at an extended hours pharmacy intensifies the pharmacist’s time commitment. This becomes a very significant barrier to change. The lack of locums in the area and family responsibilities mean that, even if the GPs were keen, the owner would be unable to implement HMRs at this time.

In the future this owner is considering re-instigating discussions on the benefits of HMRs with the centre’s doctors. There was still scepticism, however, at the likelihood of finding another pharmacist to cover the owner’s absence from the pharmacy. This city, like other areas of the country, is currently experiencing a shortage of skilled pharmacists.

Potential Implications for Change Management

- Distractions caused by problems within the business hampers an owner’s ability to implement new professional services
- The introduction of professional service demands substantial capacity in terms of time and resources. Size matters

“It’s going to require me to get out and push it… time is the issue really… It’s something I’m trying to address in terms of my staff”.

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The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study’s data is compared to the Australian (average) which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or “benchmark”

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

The pharmacy achieves a financial performance score of 70.4 which is low compared to the Sample index but still above the Australian average of 63.0.

It is an established business in a major city and targeting an older demographic of regular customers. There is feedback from the interview that indicates that this business is facing competitive pressure both within the centre from changes in the medical centre’s operations and from the gym also that has been selling competitive front of store products. These factors may be impacting on the above results.

COST STRUCTURE

With a score cost index of 101.1 compared to the Sample and the Australian average of 97.0, this pharmacy has a fairly neutral cost structure with lower average Cost of Goods Sold balancing the salary and rental components which appear to be reasonably moderate themselves.

RISK

The pharmacy incurs a risk score of 82.9 which is greater than the Australian average of 74.7. This is weighted by a slightly higher business than operating risk score and this is factoring in the reliance on the prescription proportion of this pharmacy’s turnover, although the scores show that there are no extreme values in this case. While the business reported reasonable sales growth in its most recent financial year, the pharmacy faces circumstances as described earlier in this Case Study that may impact on this.

INDICATIVE VALUE

On the data provided the pharmacy scores a below average result of 95.2 as its Indicative valuation index on comparison to the Sample and is well below the Australian average. This is a pharmacy with a fairly narrow customer demographic profile providing traditional products and services with limited scope for product and service extensions due to the competitive environment and local challenges within the medical centre itself. While the score is not directly based on these factors it does provide a point of reference for assessing the future of this business.

Key Learnings from this Case Study

• While it would appear that there are significant benefits in being located within a medical centre – such as a steady prescription flow and close links with other health care professionals – the disadvantage is that the business is very dependent on the operations of the medical centre. The future success of the pharmacy is tied to the success (or otherwise) of the medical centre. This is positive when the centre is flourishing but creates difficulty when it is in decline.
• A poorly managed medical centre resulting in a downturn in medical centre business will have flow-on effects to all other businesses within the centre and particularly to a pharmacy.
• An extended-hours pharmacy can limit opportunities to implement new services because of the time commitment involved in the pharmacy for a sole proprietor with limited access to additional staff.
"pharmacy moving forward"

Case Study Five

**Background Information**

The pharmacy is a sole owner-operated pharmacy in an established suburban area in a major Australian city. The current owner bought the business three and a half years ago but the pharmacy has operated in the area for over 30 years and is well known in the community.

The pharmacist made the decision to become a business owner after setting up the Quality Care program as an employee in another pharmacy. The pharmacist realised that effort put into maintaining the business could be channelled into enhancing personal and professional satisfaction. This was a significant motivating factor for this owner. The initial motivating factors for entering community pharmacy were the potential for a good career and a flexible career path with the possibility of owning a business.

The pharmacy is a mainstream pharmacy with a strong focus on the health needs of its local community. The pharmacy provides a number of health-related conventional pharmacy products and services to its older, more conservative customers. According to the owner, pharmacy staff have to work hard to show the customers the "true value" of the products and services provided. It has been noted that their customers are not particularly responsive to alternative therapies and natural remedies. Consequently, the pharmacy has not promoted these.

The majority of the pharmacy's customers are regulars, with a small percentage of passing trade. The owner believes that the passing trade can be attributed to the “café” nature of the pharmacy's shopping strip location. The owner is considering extending the pharmacy's hours to capture more of this market as more people visit this shopping area at weekends.

The owner attends both international conferences and local education sessions for continuing education and networking purposes. These provide opportunities to meet other pharmacists who are not in direct competition and swap ideas as well as developing clinical knowledge.

The pharmacist made the decision to become a business owner after setting up the Quality Care program as an employee in another pharmacy. The pharmacist realised that effort put into maintaining the business could be channelled into enhancing personal and professional satisfaction. This was a significant motivating factor for this owner. The initial motivating factors for entering community pharmacy were the potential for a good career and a flexible career path with the possibility of owning a business.

**Customer Demographics**

The population in this area has had no growth, while the state has grown by just over 7%, as can be seen in Graph 1. A large proportion of potential customers are between 20 and 59 years of age, mostly families. The numbers of families with children under 15 years old is reducing but is about the state average.

Unemployment is low. Most people own their own homes and have a middle-income level ($300-399 median weekly individual income), the same as the state average. Family incomes are also average. One third of those employed in the area work in clerical positions. There are fewer professionals than in other parts of the state.

The customer pool is ageing more quickly than the state or Australia. Those 60 and over increased by 20% over the last five years; in the state the increase was 16% and in Australia, 11%. This means that although customers have traditionally been mothers with younger children, the customers will increasingly need aged health care services.

![Graph 1: Area Population by Age Group for 2001](image)
Pharmacy Strategy

As a longstanding business in an already established area, the pharmacy focuses its product/service offering on the health needs of the local community.

The pharmacy owner has proactively promoted value-added health care services such as bone density testing days, diabetes days and offering hearing tests and blood pressure testing. According to the owner, the customer response to these events has been good and the pharmacy has maintained these services.

The pharmacy is located in a competitive but stable area. There are three other pharmacies in the shopping area and a seven-day pharmacy located a kilometre away. The location of each of these pharmacies helps to define their customer base. For example, one is located next to a medical group practice premises, another is next to a major supermarket. The pharmacy differentiates itself by frequent window display changes “to show customers that they have something to sell” and to maintain interest in the pharmacy.

According to the owner, competing on price is not always the intention of the pharmacy but they monitor competitors’ prices and see the need to be consistently cost competitive in standard products. However, the pharmacy’s main focus is on customer service and providing customers with professional advice and help with their medications rather than competing on price for all medical goods.

The pharmacy initially differentiated itself through the new owners and their staff. For example, a pharmacy assistant, who had a baby and returned to work, brought the newborn into the pharmacy during her shifts. This appeared to encourage mothers with young children to use the pharmacy as they could readily relate to the pharmacy staff. According to the owner, some of the older customers became more comfortable with the new owners in the pharmacy after they saw the human side of the pharmacy staff.

As part of “creating a more human side” to the pharmacy and to maintain customer relationships, the pharmacy has established a loyalty program where customers accumulate points redeemable for pharmacy “money”. The pharmacy gives members a $10 gift voucher for their birthday and the owner has found that customers appreciate this.

This pharmacy is part of a banner group but the pharmacy is not required to use its signage. The group has obvious buying power advantages but does not stipulate that the pharmacy must buy product bulk supply to be eligible for discounts. Every two months the group issues copies of a magazine to participating pharmacies. According to the owner, this magazine is useful to customers for its health care information. The group also regularly issues a catalogue of sale items but this pharmacy has found that the catalogued products do not sell well and has discontinued the use of this promotion.

The banner group is also a source of support and information for pharmacy owners and staff. The group provides regular training sessions, up-to-date information and management support. The pharmacy owner has found their services useful for business advice around the pharmacy’s financial performance and the group provided them with a facilitator when the previous partnership was experiencing difficulties. However interaction between the banner group members is limited.

Pharmacy Processes and Systems

KEY ROLES

This pharmacy is owner-operated and is staffed by one pharmacist and two shop assistants at any one time. It employs a total of five employees – including a casual pharmacist and a pre-registration student. The staff members are aware of their day-to-day responsibilities in the pharmacy and the pharmacy owner oversees all of the functions within the pharmacy. The owner has previously employed more staff but found that the more staff were in the pharmacy, the less effective they were. However, staffing levels were reduced for financial reasons.

The owner’s non-business partner and the senior pharmacy assistant, who is also responsible for payroll, carry out the pharmacy’s financial management. The owner’s partner also assists with business development planning and human resource management in the pharmacy.

HUMAN RESOURCE MANAGEMENT

As the pharmacy is relatively small in size, the management of personnel is informal, with the opportunity to communicate daily with staff as necessary. However, formal staff meetings are held every quarter to discuss business performance and other important issues.

TECHNOLOGY

The staff uses standard reference material and technology systems in the pharmacy daily. The Internet is not utilised because of a perceived lack of reliability.
Product & Service Offering

This pharmacy offers the following products and services to their customers:

- Methadone
- Home medicine reviews (HMR)
- Dose administration aid service
- Hearing tests
- Diabetes education days
- Blood pressure testing
- Compounding
- Limited range of pharmacy products
- Fragrances

HMRs are available through this pharmacy via a sub-contractor but this service is utilised very infrequently. The owner believes that this could be due to the local GPs apathy about the service. A small number of methadone patients are serviced by this pharmacy. The owner provides this service as a contribution to the maintenance of the professional practice of community pharmacy in a retail environment. The owner argues that community pharmacy needs to be seen to be providing professional services as a strategy to discourage the introduction of pharmacy into supermarkets.

The pharmacy also supplies a limited number of dose-dispensing packs to the community. They service a small number of private customers as well as patients with disabilities.

New Products & Services & the Implementation of Change

The offering of products and services in this pharmacy has been fairly stable over the years. The most recent changes are outlined.

The most significant change is the implementation of forward pharmacy. The pharmacy owner now works for most of the day from a consulting desk in the pharmacy. The pharmacy's customers have responded well to the new setup and appreciate having direct access to the pharmacist.

The owner believes that the forward pharmacy model adds value to the service that pharmacy provides to customers. It has been found to be extremely efficient although some minor technical problems have been experienced. The owner plans to set up a system that allows the pharmacist to remain at the desk while the scripts are being prepared in the dispensary.

The owner has also increased the floor space dedicated to the Pharmacy and Pharmacist Only products as this segment was the best performer in the pharmacy. This re-fit of the premises has had a large impact on the business with the pharmacy experiencing 18% growth in sales.

The pharmacy offers a bone density testing service. The Australian Bone Density Testing Centre (ABDTC) conducts the six monthly sessions. ABDTC places an advertorial in the local newspaper with information about the importance of bone density testing and includes the pharmacy’s contact details. The pharmacy makes appointments for the testing days and receives a commission from ABDTC.

This provides the pharmacy with an opportunity to show that they are providing a health service rather than just selling product. New customers are introduced to the pharmacy through this service and the pharmacy owner hopes that they are able to maintain the loyalty of these new customers.

Since the re-scheduling of weight loss medicines, the pharmacy has started a weight management program. This involves an assessment of potential users to establish their need for this product. The pharmacy has promoted this by advertising in the local paper.

One member of the pharmacy staff has been given responsibility for counselling customers who request this product. Customers are referred to a GP if necessary or lifestyle changes are recommended. While this service is not in the best financial interest of the pharmacy, the pharmacist believes that it is in the best interest of the customer's health care. People on the weight management program, together with others not on the program, come into the pharmacy on a regular basis to monitor their weight. The owner hopes that this program will encourage people to come into the pharmacy.

When the current owner purchased the pharmacy business, it supplied medications to five nursing homes. At present, this service is offered to only one nursing home because of staffing problems. Finding the staffing balance necessary to maintain the financial viability of the pharmacy has been a challenge for the owner.

Potential Implications for Change Management

- Being situated in established areas makes identifying and introducing diverse products and services more challenging.
- Higher levels of competition in an area require a more detailed cost benefit and market share analysis than in other less competitive areas, in order to assess the implications for the pharmacy.
- Responding to changes in the market and extending operating hours will strain the staff and resource capabilities of the pharmacy if not properly managed.
The financial analysis

"benchmark"

unbiased comparison or considered to provide an unbiased comparison or "benchmark"

Capital data bases and is indexed to the Australian average data is compared to the Australian average

NB: Each case study's data is compared to the Australian average which is indexed to the Australian average. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or "benchmark"

1The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study's data is compared to the Australian average which is indexed to the Sample.

In terms of Sales per square metre of $9,735 this is a lower end performer in the Case study group and is in the lowest 20% of cases as measured by Contribution per square metre of $1,252.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE

The pharmacy achieves a financial performance score of 45.3 which places it in the lowest group in the Sample and also below the Australian average of 63.0. The profile of this Traditional pharmacy as presented in this report supports this rating, for example given the conventional product mix and the level of competition from three locally competing pharmacies.

COST STRUCTURE

The cost structure score of 103.7 which is calculated on Cost of Goods Sold, salaries and wages and rent levels are slightly above the Sample index (100) and above the Australian average of 97.0. Rent levels appear to be a driver of cost performance in this business as the other ratios are stated to be reasonably close to average. The membership of a buying group does not appear to be having a sizeable impact on the comparative performance score of this pharmacy.

RISK

Similar to a number of traditional pharmacies in this study, the overall risk score at 89.8 is at the lower end of the scale within the Sample and is higher in comparison to the Australian average. The elements of this, the business risk and the operating risk show that a higher business risk is associated with the pharmacy but that this is being offset by very low operating risk factors. This is most likely a result of low growth and the level of prescriptions being dispensed, given the number of immediate competitors.

INDICATIVE VALUE

With an indicative value score of 81.4 this pharmacy is below the Sample and the Australian average benchmarks. Its status as a Traditional community pharmacy with a regular customer base, offering conventional products and services, is probably being reflected in the Contribution performance leading to this indicative value result.

Key Learnings from this Case Study

- High motivation is needed to become a small business owner and previous experience in the industry can be advantageous in managing a pharmacy
- Allowing customers to identify with the pharmacy staff and establishing relationships within the community can encourage people to utilise the pharmacy
- External support from people in areas outside the pharmacy owner/operator's expertise can help the performance and daily running of the pharmacy
- The viability of traditional pharmacy business may be enhanced by the implementation of pharmacy specific services, e.g. methadone
- The implications of discontinuing a service must be carefully managed to maintain the viability of the pharmacy
"building customer loyalty"

Case Study Six

Expanded Pharmacy

Background Information

This case study pharmacy is part of a pharmacy group which was established over 40 years ago and has developed into a large network of pharmacies across Australia. The group structure has been used to drive purchasing and more importantly, to pool the capabilities and the strengths of experts in a variety of business-related areas. For example, the group has a central marketing coordinator and financial manager to help in those specific business-related areas. The group’s Managing Director believes that being in a network of pharmacies, rather than a wholesaler-based banner group, helps the participating pharmacists maintain their initial passion and enthusiasm for pharmacy. Less of the pharmacist’s time is taken up in the overall management of the pharmacy, and the pharmacist can focus on providing customers with quality service. This case study pharmacy is one of the group’s largest pharmacies, in terms of both size and turnover, in Australia.

The pharmacy is located in a prime shopping centre position outside the locality’s major supermarket. This location has the convenience of parking and access which is important to specific customer groups (see Customer Demographics). The pharmacy takes advantage of this prime position and the opportunities unique to this location by offering clean, spacious and open premises (approximately 1,100m²) that feel welcoming to customers. The medical centre located next door to the pharmacy also exposes the pharmacy’s products and services directly to patients.

The pharmacy employs 6 full-time and over 40 part-time staff and is open seven days a week. It has been in the same location for more than fifteen years and has established a strong presence in the community based on its broad product and service offering. It has faced the opening of a number of local competitors competing primarily on price but the pharmacy maintains its financial viability and role within the community.

The pharmacy’s management believes that their customers are happy to see a familiar and trusted face at the pharmacy and the pharmacy staff work at creating and maintaining this customer rapport.

Customer Demographics

This pharmacy is located in a growing suburb on the outskirts of one of Australia’s major cities. The catchment area of 380 km² covers a broad population and land area. The population has a large proportion of families with young children and an increasing proportion of retirees. The current population of the area is approximately 150,000 and the median age is 35 years old. The median weekly household income is between $1,200 and $1,500 which makes this a moderately affluent area.

Graph 1 shows the high percentage of families with young children and younger couples. 57% of the population in this area is under 39 years of age. This growth can be attributed to the rise in real estate prices across Australia and the relative affordability of housing in this area.

Graph 2 shows that the proportion of older people, who in 2001 made up 13% of the area’s population, is growing at a faster pace than other age groups in this specific catchment area and in comparison to the city as a whole. With an average growth rate of 4.7% per annum over a 5 year period, the number of people over the age of 60 is increasing in this area of the city.

These area demographics highlight some interesting issues for pharmacies in this area. The predominance of families with young children means that pharmacies need to provide products and services relating to infant care and children’s health. There is also a large number of both public and private schools in the area. Conveniently located pharmacies with parking will have increasing importance as convenience of location is said to be an important patronage factor when choosing a pharmacy.

1 Whitehead et al (1999) XXX

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Pharmacy Strategy

The local community scope and the broad range of products and services provided at this pharmacy highlight the characteristics of the Expanded Pharmacy. The pharmacy aims to provide its customers with products and services that satisfy all their pharmaceutical, health care and beauty needs. The broad range of products stocked by the pharmacy caters for these needs but the pharmacy does not necessarily offer these at the lowest price.

There are a number of local competitors that focus on a price competitive strategy. In the case study pharmacy group, cost cutting is viewed as “showing a lack of respect for the [pharmacy] profession”. The pharmacy management has decided to focus on those customers for whom low price is not a deciding factor and where the purchase choice is based on convenience and quality of service. The group’s strategy, therefore, has been to position themselves as a provider of quality health care solutions.

The opening of competitors offering low priced products initially resulted in reduced sales for this pharmacy but the business bounced back. The pharmacy management attribute this to the quality and consistency of the customer service they provide and the lack of sustainable “novelty” value in the competing discount pharmacies. The group has been structured to facilitate customer service in the pharmacy – many of the non-pharmacy administrative functions (such as finance) are performed at head office and the outcomes are reported on a monthly basis to the pharmacist in charge at each individual store.

This strategic approach highlights the advantage of having highly qualified people in charge of functional areas such as marketing and financial analysis. Having such a core resource pool means that local pharmacists have access to skills they have not the time to acquire themselves and also ensures that the quality and consistency are maintained across stores in the group.

This pharmacy group promotes and encourages innovation within its pharmacies by encouraging them to reach out to customers in novel ways to help with their health care needs. The provision of core business activities in head office allows the pharmacies in this group more time with customers at the ground level. This adds value to the individual pharmacy’s product/service provision by allowing pharmacy staff to focus on local needs and organising initiatives such as health screening days.

The network of pharmacies is an investment in capabilities that enhances the effective provision of health care products and services to a number of local communities while maintaining the relationship between pharmacists and their customers at each location.

Pharmacy Processes and Systems

KEY ROLES

This pharmacy is run by two managers – the pharmacist in charge who is responsible for the dispensary and the retail manager who is responsible for the front of shop section of the pharmacy. The local site administrative functions including rosters for the front of shop staff, taxes, payroll are part of the retail manager’s role.

REPORTING IN THE PHARMACY NETWORK

In this pharmacy there is regular email communication with head office. The pharmacists also report figures to head office which then provides monthly feedback on financial performance benchmarked against other stores in the network.

TEAMWORK

The staff at the pharmacy work as a team so the best service possible is provided to customers. The front of the pharmacy is structured to enable pharmacists to focus on prescription delivery, by delegating associated services to other specialists in the store. For example, a naturapath is responsible for providing natural therapies and the pharmacists pass on these enquiries to the qualified staff member on duty at the time. The support that the pharmacy team provides to each other is of utmost importance. The pharmacist in charge stated that “without [mutual] support the pharmacy will fall down”. Staff are rewarded with discounts on pharmacy products and services and the opportunity to undertake additional training. This results in a well trained pool of staff able to provide fast and efficient service. The staff in the pharmacy are encouraged to ask questions when they are unsure of policies or procedures. These procedures are largely passed on by hands-on experience rather than through a formalised process. Open communication is also encouraged at all times.

PROFESSIONAL RELATIONSHIPS

General practitioners are co-located at the shopping centre. Despite this, there is no systematic development of an active working relationship with other health care professionals. This may be seen as unnecessary as services that require more indepth relationships between GPs and pharmacists, such as Home Medication Reviews, are not provided at this pharmacy.

TECHNOLOGY

The conventional technology is used in this pharmacy and includes a basic point of sale system. The pharmacy group has a central website that provides customers with general health care information and individual pharmacy location details.
Product & Service Offering

The primary focus of the products and services in the pharmacy is on women as the principal customers. Management estimate that approximately 85% of the pharmacy group’s customers are women.

Fast and efficient service is very important to this pharmacy. The pharmacy manager believes that customers appreciate the prompt, specialised and individual attention provided and this is seen by management as an important element in building customer loyalty. Many of the pharmacy staff have been with the pharmacy for years and their dedication and knowledge is valued by customers.

Management also feels that they add value to the community by offering free health care advice to local residents.

The following summary of the products and services offered at this pharmacy reflects their perception of the characteristics of their customers’ needs:

- Broad range of products
- Hair colourist and an extensive range of hair care products
- Mother craft nurse
- Baby clinic
- Beauty salon and day spa
- Advice-driven specialist products
- Alternative medicines with a qualified naturopath or herbalist available

New Products & Services & the Implementation of Change

When implementing new services or expanding the product range in this pharmacy, the project work is allocated to the appropriate “professional” in the area.

To encourage mutual support within the pharmacy and so that all staff members know about the changes that are taking place, regular meetings are held to train staff in new areas. Staff are also encouraged to attend continuing education courses, when time permits.

According to management, the advantages of a pharmacy group go beyond economies of scale. In this case the expertise brought in by having a centralised pool of professionals at head office works to the advantage of the individual pharmacy.

Background research on new products and/or services that may be introduced in the pharmacies is carried out at head office. The pharmacies in the group are then used as trial locations for “test” implementation of products and services. This allows the group to more accurately gauge the responsiveness of customers to the new product and/or service as a basis for extending the innovation to other pharmacies in the group. For example, the pharmacy group introduced an iridology service. This was well accepted by customers at the pilot store. The service was subsequently launched in a number of other pharmacies in the group, based on customer demand.

Customers were clearly willing to pay for this service in the pharmacy and other paid services are now being trialled in the network.

There is no direct communication about specialist services between this pharmacy and others in the network but the opportunity to draw on this pool of information is available via head office.

One regular activity that has been implemented in this pharmacy is free health screening check days. This is promoted by signage in store and local letterbox drops. Health screening days are generally set up and initiated by head office. The screening days are used to build customer loyalty but the overall effect of these days is hard to measure financially.

Potential Implications for Change Management

- Relatively underdeveloped relationships with the other health professionals would make it more difficult to implement new services involving cooperation than if these relationships were well-established and being actively used now to support and promote professional services.
- In order to manage significant transitions effectively, communication within the pharmacy may need to be further formalised when implementing change.
- The corporate vision for change and the implementation of change in the individual pharmacies in the network need to be carefully managed as there can be a disjunction between the two.
- If this pharmacy decides to increase its focus on cognitive pharmacy services it would need to address floor space allocation as the pharmacy is now predominantly geared towards women's beauty products and associated services.
Financial Information

OVERVIEW
This is a strongly performing, large scale pharmacy in a prime shopping centre location, operating for extended hours and achieving a solid gross margin. It has high prescription volumes while maintaining a significant Front of Store portion in its sales mix, with prescriptions representing only 55% of annual sales.

FINANCIAL PERFORMANCE
This pharmacy is the third highest scoring pharmacy in the Case Study Sample in terms of financial performance, with a score of 155.0. This score is 50% greater than the Scale Index (100) and is more than double the Australian average. Its score reflects the high turnover and large prescription volumes for this pharmacy. While Sales growth is moderate, this is consistent with the high level of turnover already being achieved. The score indicates that this is a highly successful business compared to the sample based on the simplified measures used.

COST STRUCTURE
With a score of 106.8, this pharmacy's cost index is greater than both the Sample and the Australian average. For this business, the high score can be attributed to the location in a large shopping centre (high rents) and the operating style because of high staff costs resulting from extended trading hours. Its membership of a group with centralised management and administrative services may also be impacting on its overall cost structure.

RISK
The risk score of 96.3 is derived as a composite of Business and Operating risk scores as defined for the project. This business has a higher operating risk compared to its business risk. Its moderately high total risk score against the Australian average is consistent with its size, scale and operating profile.

INDICATIVE VALUE
The value index for this pharmacy is relatively low at 71.7 when compared to the Sample and is just above 50% of the Australian average.

This value measure is an amalgam of performance, cost and risk. In this case, showing that high cost/high risk factors are offsetting the strong financial performance of this Pharmacy.

Key Learnings from this Case Study
Network organisations can provide the key competitive advantages of:
- Clear strategic direction
- Shared specialist services (e.g. iridologists, hair colourists)
- Focused targeting of important customer categories in the local population
- Competition on service and value adding rather than on price
- Relatively low cost market testing of innovative products and services

These strategies work best in areas with above average incomes and professional occupations.
“building community spirit”
Case Study Seven

Background Information

This large pharmacy is located on the metropolitan fringe, 20 km from a major city. It is located on the main street and is the only pharmacy in the town. The business has been a part of the local community for the past 30 years. From the beginning, the pharmacy owners have developed their interest in the changing environment of pharmacy and the local community. This is reflected in the pharmacy’s community involvement and the commitment to provide the latest development in the industry to the community.

The pharmacy is open seven days a week, with extended hours on Monday to Friday and limited hours Saturday and Sunday. It dispenses more than 200 prescriptions per day, and is approximately 450m² in size.

This includes dedicated beauty salon facilities.

The pharmacy is part of a large banner group and is run as a partnership, with one partner working part-time in the business. The partner-operator is actively involved in the strategy management and staff development. Both pharmacy owners have a longstanding relationship with the local community and focus on building and maintaining this relationship.

Customer Demographics

The local council notes that the main difference in age structure between the local area and the nearby metropolitan centre is the lower number of people aged 70-84. Local council data also shows that there has been rapid population growth in the area over the last 30 years, with the population more than quadrupling to 120,000 in 2003.

The area has an average age (32) younger than for the state (35) and has a higher average household size (3.2). Unemployment is a slightly higher than the state (7.6%).

There are fewer professional people, but significantly more unskilled or trades people (43%) compared to the rest of the state (31%).

Graph 1: State-wide vs. Local Area Population Growth from 1996—2001

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Pharmacy Strategy

The pharmacy owners are passionate about the possibilities that can be achieved by community pharmacy working closely with the local community. They look beyond the day-to-day functioning and local role of a community pharmacy and believe that they can make a difference to their area.

This is the core focus for their pharmacy but they also see their pharmacy as being a showcase for the pharmacy industry. The systems, finances, pharmacy presentation and promotions support this vision within the pharmacy. A number of internal pharmacy performance measures, based on those four areas, are reviewed regularly to ensure that the business is in line with its strategy and vision. Accreditation in the Quality Care program helped the pharmacy achieve this vision. It forced the pharmacy owners to think beyond the immediate issues of “today” and implement supporting systems and processes. The pharmacy staff is encouraged to visit other pharmacies in Australia to understand how their pharmacy works compared to others. This activity helps the pharmacy and their staff identify innovations and improvements.

The pharmacy underwent a significant refit two years ago which more than doubled the pharmacy’s size. The redesign incorporated many features and functions to facilitate the pharmacy’s overall strategy, such as a specialised wound care area, dedicated beauty salon/day spa, baby health care services area. The refit included an increased area for dispensing to facilitate the implementation of the forward pharmacy model. It was designed to provide an open flow from one area to another. The pharmacy staff have initiated a number of community-based activities. They have regular Saturday theme mornings with the aim of encouraging customers into the pharmacy, but also highlighting the pharmacy’s community spirit. For example during the recent Olympics Games, they sponsored Greek dancing in the street.

The pharmacy organises community outreach programs which involve working with people who have muscular dystrophy and cancer.

The pharmacy has a close relationship with their banner group support staff and makes full use of available promotional materials and retail expertise.

Pharmacy Processes and Systems

Each staff member has clear key result areas within the pharmacy, and is accountable for these. The name of each person and their area of responsibility is clearly laid out on a one-page diagram showing a total pharmacy view. The owner recognises the expertise limitations of some pharmacy staff in certain highly specialised areas and so outsources to external consultants for those areas not incorporated into the core offering and capabilities of the pharmacy.

Maintenance of staff relations is a dynamic process and is reviewed by the owner and the individual every 3-6 months. The key result area approach provides staff with clear outcomes. Staff are also provided with a high degree of autonomy and flexibility to achieve these outcomes. The pharmacy owners see themselves at the bottom of the organisational chart – they are there in a support capacity to assist the rest of the pharmacy staff.

The owners wanted to develop systems to help in the staff management and motivation. They read relevant literature, and also sought external consulting assistance to develop people and process systems for the pharmacy. Through this consultative process, the pharmacy owners were able to come up with a system that met their requirements and aligned with their management style.

Over time, with some external guiding support and a lot of internal effort, the pharmacy has developed a team manual which specifies core competencies for each role in the pharmacy.

ORGANISATIONAL STRUCTURE

The pharmacy employs 18 staff, with 12 of these working part-time. Two part-time pharmacists work in the pharmacy; one for 3 days, the other for 4 days.

One of the owners has the role of business manager. There is also a dispensing manager to look after rosters, claims and the dose administration aid service. The head pharmacist is responsible for liaisons with other health care professionals.

The pharmacy employs local people many of whom have worked at the pharmacy for a number of years. The pharmacy owners appreciate this commitment and reward their staff in a number of ways. Staff receive 30% discount off products and are paid to attend training programs.

Professional development is a key priority with the pharmacists attending continuing education courses (run by PSA or manufacturing companies) when time permits. They also read industry magazines, journals and meet with the manufacturing company representatives.

The pharmacy owner has a good relationship with the two doctors at the local medical centre, and works with them and the other local health professionals to determine how to improve their interaction.

TEAMWORK

The pharmacy owner is relationship-focused and this extends throughout the pharmacy with its strong team philosophy and the emphasis on team building activities. This is demonstrated by how people are treated and work together.

Every day starts with a brief (15 minute) early morning staff planning meeting which all staff are required to attend. It has a simple and straightforward agenda, covering three main topics:

• Touch base – a brief discussion
The pharmacy provides a large range of services to the local community, including:

• Wound care, with a dedicated wound care nurse two days a week
• Baby health services, with a maternal health nurse available one day a week;
• Dose administration aid service
• Home Medicine Reviews (HMRs)
• Aged care facility medication management service
• Community education
• Methadone
• Blood pressure monitoring
• Asthma management
• Diabetes management
• Weight management
• “Wellness” club
• Beauty salon and day spa services

While the pharmacy offers HMRs, they are not a major service. They are categorised as an “important, not urgent” priority and are conducted by a pharmacist every Wednesday. This allows the pharmacists to better plan their workload, and provides clear information to customers about when they will be conducted.

Product & Service Offering

The pharmacy provides a large range of services to the local community, including:

• Wound care, with a dedicated wound care nurse two days a week
• Baby health services, with a maternal health nurse available one day a week;
• Dose administration aid service
• Home Medicine Reviews (HMRs)
• Aged care facility medication management service
• Community education
• Methadone
• Blood pressure monitoring
• Asthma management
• Diabetes management
• Weight management
• “Wellness” club
• Beauty salon and day spa services

New Products & Services & the Implementation of Change

The pharmacy is always on the lookout for new products and services that will assist their customers. One recent initiative was an 8-week wellness club program, held in the evening and run by one of the pharmacy partners. New services usually start with a planning meeting, held before the daily meeting. Here, the new service is planned in detail, clarifying the strategic and operational aspects: aim, commitment, cost, timing, content, equipment required. Many of the projects are short term for special events but the same process is used. The owner believes that certain service areas of the pharmacy, such as wound care, are not being systematically provided to their customers.

Potential Implications for Change Management

• By understanding the nature of the Guild/Government Agreement, pharmacy owners can plan for business growth and identify new business opportunities and services.
• When implementing new initiatives, it is important to consider not only who will get it off the ground, but also who will be responsible for continuing the program. Often the person who starts up a new service is not the best suited to running it longer term. They may continue to act as a “sponsor”, however, leaving the day-to-day management to others. This has implications for recruiting someone at the onset, to building ownership and commitment to the new product/service.
• Change cannot take place overnight. This pharmacy has had a clear vision to extend itself beyond the traditional role of pharmacy, and works to achieve this one step at a time through planning and bringing together the support of its employees and community.
• Enthusiasm is infectious. The passion, commitment, care and on-the-ground involvement demonstrated by the pharmacy director had obviously transferred itself into the operations of the pharmacy. This is one of the key tenets of effective leadership “to walk the talk”. 
Financial Information¹

OVERVIEW

This is an established business in growing market environment, however it is unusual in that it is a totally rebuilt premises on an existing pharmacy site that was redeveloped from scratch by the existing owners. It is an average turnover business at this time when compared to the Sample and the Australian average but is on a high growth trajectory by reference to its reported sales growth.

In terms of Sales per square metre ($6,889 psm) this business is in the lowest 20% of the Case study sample and it is also in the lowest 20% of cases as measured by Contribution per square metre ($394 psm). These figures are weighted by the fact that this is a big pharmacy that has deliberately been designed for growth.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE³

The pharmacy has a financial performance score of 110.6 which is well above the Sample and greatly exceeds the Australian average of 97.0. This business is in a growth corridor location and has very high prescription volumes. It is also achieving solid Front of Shop sales ratio (35%) based on a broad range of products and services and is being very proactively managed to achieve growth based on close observation and interaction with the local community.

COST STRUCTURE³

The cost index score of 102.8 relative to the Sample index is well above the Australian average of 97.0. This is a relatively high cost structure business with a moderate gross margin, large staff numbers and higher salary costs. As an offset to these factors the reported rent is relatively low on a per square metre basis, although it may be high in absolute terms given the floor space involved. This is a business that is being run for growth and is based on a developmental management style.

RISK⁴

The risk score of 85.0 is derived as a composite of business and operating risk scores. This pharmacy exhibits low business risk and moderately high operating risk. Its higher overall risk than the Australian average can be interpreted as a measure of its operating structure in circumstances where it is growing rapidly with high sales variability. All of this may be explained in terms of an evolving business model.

INDICATIVE VALUE³

This pharmacy has achieved a low index score of 79.8 because of the impact of the high cost structure on the contribution margin at this stage of the business’s development. The reasonably strong financial performance is being offset by this and may be interpreted as being the result of a business in a growth and change phase.

Key Learnings from this Case Study

- A clear vision of working with the local community to provide products and services to meet their needs can create high levels of staff commitment.
- Having a plan, and reviewing the plan at regular intervals allows staff to take stock of what has been achieved, and to also modify the plan to suit the current environment.
- A pharmacy owner or manager who places a high priority on ongoing learning and professional development can have a strong influence on the standard of service delivery.
- By establishing priorities for start-up services, such as HMR (which is considered “Important, not urgent”) and allocating a set period of time to do them pharmacists can plan their time more effectively.
- Involving staff in a continual quest to provide an interesting and enticing environment for their customers helps with staff motivation and retention.
- Goodwill with customers is built up over time through developing relationships and building credibility through providing services that meet the community needs.
- There is value in looking “beyond your own backyard”. On the recent refit, the pharmacy proprietor took staff to visit over 40 other pharmacies, where they viewed other layouts and pharmacy working environments. Staff noted what worked and what didn’t work, and integrated best practice into the pharmacy design.
- Creating a consultative environment where staff feels free to have input into programs and feel that “it’s okay to ask questions” is an important element of a learning culture.
"the beachside pharmacy"
Case Study Eight

Background Information

This pharmacy is located in the main shopping strip of a beachside suburb in a large Australian city. It is a large pharmacy (305 sqm) owned by six partners with one partner working in the business. A number of the partners are involved in other pharmacies which together make up a small network of linked pharmacies. This pharmacy, however, only has significant dealings with the pharmacy located closest to it. The pharmacy has been well-established in the area for 25 years with the current ownership structure in place for three years.

The pharmacy fills approximately 250 prescriptions a day and employs a total of 18 staff. The pharmacy is open extended hours, seven days a week, and offers a broad range of pharmacy products and services to the local community. Because of its beachside location it carries many products catering to beach-goers during the summer months. The pharmacy’s core customers are older residents of the area, although recently there has been an increase in families with young children (see Customer Demographics below).

The pharmacy is a member of a state-based, independently owned banner group and its structure is used to drive purchasing and promotional activity across the group.

Customer Demographics

The pharmacy is located in a beachside suburb 40 minutes south of the CBD of the city. It is an average income area for Australia with a median weekly individual income of $300-399 and household income of $700-799.

The managing partner of the pharmacy believes that, while there are many elderly pensioners and retirees in the area, the demographics are changing. Younger families are moving into the area due to the attractive beachside lifestyle and affordable housing.

The proportion of people 50-59 years old and over 60 has grown between 1996 and 2001 which parallels changes in the state and Australian populations. However, the proportion of aged people (over 50 years old) in this area is lower (25%) than for the state (31%).

The statistics show there are more families with older children in the area and fewer young families than in the state or Australia. There are fewer singles living outside the family (14%) against a state average of 21%. The unemployment rate (8%) is higher than for the state. There are fewer professionals in the area and more labourers and trades people.

The pharmacy attracts some passing beachside trade in the summer months. However according to the managing partner, the majority of the pharmacy’s customers are local residents. Census data actually show fewer visitors to the area (2.8%) than the average for the state (3.6%).

Graph 1: State-wide vs. Local Area Population Growth from 1996–2001
Pharmacy Strategy

The pharmacy owners and staff strive to provide a high level of customised service to the local residents. The pharmacy is located on the main shopping street and is conveniently located next to a medical surgery.

Over the last twelve months a number of competitors in the area have extended their trading hours and this has had a negative impact on this pharmacy’s trade. Extended trading hours had previously been one of the pharmacy’s main points of differentiation and a competitive advantage. Not only have the other pharmacies in the area extended their hours but the shopping mall, which has a number of supermarkets and department stores, has also recently extended its trading hours to include Sunday.

These factors have resulted in a downturn in this pharmacy’s business and have influenced the strategic direction of the pharmacy. The partners are considering strategies to counteract the recent downturn in the business and maintaining profitability is a key focus for the business at this time.

In response to the increased level of after hours competition, the partners have decided to run a series of advertisements in the local community newspaper promoting the pharmacy’s products and services to attract customers back to the pharmacy. Another strategy being considered is the development of specialised professional service areas – in particular weight loss and asthma management.

One of the pharmacy’s other points of differentiation is their strategic alliance with a health fund. This draws customers from a broad area to shop in this pharmacy as they receive a 20% discount on all over-the-counter merchandise and are covered for a large proportion of the cost of safety net and private prescriptions which can be claimed at the time of dispensing in the pharmacy. The attractive discounts and ease of use associated with this service (customers only pay the gap upfront with no forms to fill in) mean that these customers are prepared to travel long distances to shop at this pharmacy. This group of customers accounts for approximately 15-20% of the pharmacy’s customer base.

The medical practice next door to the pharmacy is sub-leased from the pharmacy partners by a part-time GP. There is a chronic shortage of GPs in the area and the partners are keen to see additional practitioners move into this practice to ensure it becomes financially viable. Most of the GPs in the area are heavily booked and have “closed their books” to new patients. Attracting another GP to the practice next to the pharmacy is regarded by the managing partner as the most efficient means of reversing the current downturn in the business.

Pharmacy Processes and Systems

KEY ROLES

The managing partner is responsible for the day-to-day operations of the pharmacy and shares the extended work hours with a salaried pharmacist. There is a retail manager who manages the front of shop staff and all the front of shop purchasing from head office and other suppliers. The retail manager reports directly to the managing partner. The banner group head office is responsible for payroll but all other administrative functions are carried out by the individual pharmacy. Monthly meetings are held where the managing partner reports to the rest of his partnership group on the pharmacy’s business performance.

PROFESSIONAL RELATIONSHIPS

There are fifteen GPs in the main local shopping area. The pharmacy maintains good relationships with a number of these GPs. The pharmacy carries a range of home health care equipment and a number of occupational therapists at the nearby hospital refer customers to the pharmacy. The managing partner maintains relationships with other banner group pharmacists through bi-monthly networking meetings.

TECHNOLOGY

The pharmacy is equipped with broadband Internet access on one computer and relies extensively on the Internet for software upgrades and email communications with suppliers and the other pharmacies in the group. The pharmacy group has a central website that provides customers with information on the screening services available in member pharmacies, current catalogue and promotions and individual pharmacy location details.
**Expanded Pharmacy**

**Product & Service Offering**

The following summary of the products and services offered at this pharmacy highlights the characteristics of the Expanded Pharmacy and include:

- Broad range of over-the-counter merchandise
- Advice-driven specialist beauty products
- Visiting Health Care Nurse
- Large range of gifts
- Large baby care department including gifts
- Large complementary medicine department
- Large range of sun care items including sunscreens, hats etc
- Health insurance partner
- HMRs
- Dosette – service to assist medication management
- Home health care – hire of crutches, nebulisers, breast pumps, BP monitors, walking sticks, wheelchairs

**New Products & Services & the Implementation of Change**

**SCREENING**

The pharmacy group provides a trained nurse once a month to offer screening services in the pharmacy. The nurse conducts blood pressure, cholesterol and blood glucose screening at a low cost to the pharmacy. There is no customer fee associated with this service. The managing partner has trialled a bone mineral density scanning service that was available on a fee basis but this had a low response. This is reportedly due to the pharmacy’s location in a lower income area.

Despite the lack of profitability of these screening services, the managing partner believes that this is a valuable service provided by the group.

**HOME MEDICINE REVIEWS (HMRs)**

About twelve months ago the pharmacy partners actively promoted HMRs with visits to the majority of the GPs in the area. However, the service has not been well accepted with the pharmacy only conducting a small number of reviews in this time. According to the managing partner, this is because doctors in the area lack the training and the time to generate medication reviews.

HMRs are not considered to be very profitable by the partners and so have not been pursued lately. Despite the challenges associated with this service, the managing partner plans to renew efforts in this area as another partner is in the process of becoming accredited.

In the near future the managing partner is eager to focus on enhancing staff training in the areas of weight loss and asthma management. The professional service programs will then be formally rolled out in 2005. The development and promotion of these specialty health services will be used to differentiate this pharmacy’s core service offerings from competitor pharmacies in the local area.

**Potential Implications for Change Management**

- Innovation in the provision of services that are dependent on the active cooperation of GPs can fail if the cooperation is not forthcoming.
- In a situation of falling revenue, pharmacy owners may focus on shorter-term operational change rather than time-consuming service provision.
- Lack of financial incentives for service provision can inhibit the change initiatives attempted.

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The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study’s data is compared to the Australian average which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or “benchmark” 

**Financial Information**

**OVERVIEW**

This is an established business in a competitive suburban location. It is a high turnover business with a large prescription volume and a range of products and services that have led it to be classified as an Expanded Pharmacy using the Pharmacy Viability Matrix developed by the Change Management project team.

In terms of Sales per square metre of $13,155 it is in the mid-range of the Case study sample. On a Contribution per square metre of $3,213 it is near the top 20% of Sample pharmacies. This is a large pharmacy of over 300 sq mt, making this a significant contribution result.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

**FINANCIAL PERFORMANCE**

With a score of 129.4 this is a high ranking pharmacy both against the sample and particularly the Australian average. This is a banner group business operating extended hours achieving significantly high turnover based on both large prescription volumes and a strong proportion of front of shop or non-prescription sales.

As noted elsewhere in this report, this business is under competitive pressure from nearby pharmacies that have recently extended their hours and this may affect this performance measure in the future.

**COST STRUCTURE**

The cost index score of 90.0 is low relative to the Sample index and is lower than the Australian average of 97.0. The data suggests that the main driver of the lower cost structure is the low salary and wages and rent percentages offsetting a high COGS percentage.

**RISK**

The risk score of 91.9 is a composite of business and operating risk scores and is higher than the Australian average of 74.7. This pharmacy has a higher operating risk than business risk and is attributed to the weighting of the prescription numbers, the trading hours and the size of the business. The recent competitive activity highlights the risks associated with managing these factors when turnover is put under pressure.

**INDICATIVE VALUE**

This pharmacy has the highest score of 170.8 for all pharmacies in the sample for this index. The reason for this is that its high financial performance in combination with relatively low cost structure scores provide a unique combination of factors leading to a very high value to turnover ratio that outperforms the other pharmacies in the sample and the Australian average.

**Key Learnings from this Case Study**

- A change in the trading hours of competitors can have a significant impact on customer numbers and profitability. A common response to increased competitive pressure is to advertise the pharmacy’s products and services more heavily. A more sustainable strategy is to develop a unique service(s) offering that is/are difficult to imitate.
- A strategic alliance with a non-pharmacy service provider (in this case, a major health fund) can significantly increase the potential customer pool for the business particularly if there are limited distribution points for the service.
- Sub-leasing premises adjacent to the pharmacy to a medical practitioner in areas with a limited supply of medical services can be used to attract increased customer traffic and prescription volume.
“the only pharmacy in town”
Case Study Nine

Expanded Pharmacy

Background Information

The case study pharmacy is located in a small rural town in an agricultural region of Australia. It is a large, busy pharmacy (350 sqm) and has been operated by this pharmacist as a managing partner for the past ten years. During this time the business has grown substantially and has relocated to its current prime position in the town’s main shopping centre.

This pharmacy is a member of a large, pharmacist-owned banner group. The pharmacy focuses on providing a broad range of pharmacy products and services to the community. The pharmacy has a long history of servicing the health needs of the local community with a high level of personal service.

According to the pharmacist, 95% of the pharmacy’s customers are “regulars”; one of the defining characteristics of the rural pharmacy. The pharmacy staff knows the majority of their customers well. The pharmacy sees a broad spectrum of the area’s residents including elderly people, workers and young families.

Along with a broad range of products, the pharmacy also provides dose administration aid services to the local aged care facility, a contract that it has held for over 20 years. This service was extended seven years ago to include residential medication management reviews (RMMRs) for the nursing home residents.

The pharmacy is open extended hours and fills an average of 350 prescriptions a day.

Customer Demographics

The pharmacy services a catchment area consisting of the town itself and the surrounding rural areas - a population of approximately 17,500 people. The pharmacy’s potential customer base is continually changing due to new developments and the improvement of rural infrastructure, roads etc, creating easier access between rural towns.

The region is a tourist destination for Australians. Unemployment in this region is low (4.9%) with a high proportion of the population in the labour force (49% compared to the state 47%). A higher proportion of the working population are labourers or tradespeople (37%) than in other parts of the state (33%). This is a middle-income area with individual and family incomes around the average.

The graph indicates the proportion of the town’s population in each age group against the state population. The trend is similar, with an increase in the proportion of the population over 60 years of age, and a more dramatic increase in the 50-59 age group. There are less people in each age group under 50, but most dramatically in the 20-29 year old group.

Graph 1: State-wide vs. Local Area Population Growth from 1996–2001

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Pharmacy Strategy

This pharmacy focuses on providing a broad range of pharmacy products and services with a high level of personal service to its close-knit community. The pharmacist has consolidated this core strategy over the last ten years by retaining key senior staff members and a high ratio of senior front of shop staff. The staff at this pharmacy possesses a deep understanding of the pharmacy business and their customers because of their maturity and an average tenure of over twenty years. A senior staff member is always working in the pharmacy to ensure consistency in customer service. This builds a high level of customer loyalty.

Although this is the only pharmacy in town, there are three pharmacies in two nearby towns. Residents from the town use all three pharmacies for convenience and variety. There is also competition from the town’s supermarket, which is located next to the pharmacy in the shopping centre. To counter this competition, the pharmacy has focused on the provision of excellent customer service but also maintains price competitiveness. The front-of-shop manager routinely does price checks in competitive categories such as hair care and baby care and ensures that the pharmacy carries different lines from the supermarket.

The pharmacy also offers a number of services to the community (see Product and Service Offering below), some of which are provided at no charge. Although there is potential to charge for these services, the pharmacist feels that it is inappropriate as customers have a perception of a “pharmacy monopoly” and the business does not want to encourage this view.

The screening service is viewed as a way of building customer loyalty at relatively low cost to the pharmacy. This pharmacy is a member of a pharmacy group that provides a central warehousing facility and a number of core support functions including centralised payroll, buying advantages, marketing functions and a loyalty card/program.

Pharmacy Processes and Systems

KEY ROLES
The pharmacist has overall responsibility for the pharmacy operations but is well supported in the business by the front of shop supervisor and a senior pharmacy team. Four staff members are also experienced dispensary workers.

The supervisor plays a pivotal role in the pharmacy and is responsible for personnel issues, training and customer relations. This role also includes overseeing the buying for the front of shop. Another pharmacy assistant’s time is dedicated predominantly to administrative work.

TRAINING
The staff at this pharmacy work as a team under the direction and guidance of the pharmacist and the pharmacy supervisor. None of the front of shop staff has formal pharmacy qualifications; their training has been gained in the job. The pharmacist agreed that lack of training was a problem in pharmacy generally and particularly for rural pharmacies who lack the same level of access to training as their metropolitan counterparts. More comprehensive training programs were usually held in the city but the pharmacist was not prepared to send the staff long distances and after hours to attend these events.

PROFESSIONAL RELATIONSHIPS
The pharmacist knows the six doctors in the town well. This collaborative relationship facilitates those pharmacy services that require interaction between the pharmacist and the GPs (see Product and Service Offering). According to the pharmacist, 95% of the prescriptions that come through the pharmacy are from eight GPs in the surrounding areas.

TECHNOLOGY
Technology is used extensively in the pharmacy. The pharmacist recently installed a hi-tech security system. The pharmacy has broadband Internet access on several computers and wireless access into the pharmacy dispensary. This allows the pharmacist to access the pharmacy’s computer systems for ordering and reporting purposes.

“We just about know the name of everybody in the place.… We not only know their names, we know who their grandchildren are.”
Expanded Pharmacy

Product & Service Offering

A large front of shop area, together with the advantage of being the only pharmacy in the town, provides the opportunity to stock a broad range of product lines within each major pharmacy category. The following summary of the products and services offered at this pharmacy reflect its strategic position in the town:

- Broad range of over-the-counter products
- Prescription items
- Health insurance agent and service counter
- Large baby care category
- Large range of complementary medicines
- Large range of gift items
- Large range of beauty products including skin care, hair care, fragrance and waxing/depilatory products
- Aged care facility service – comprehensive service which includes dose administration aid packs and RMMRs for a 63 bed aged care facility

The pharmacy's unique position in the town also provides another opportunity in the non-traditional area of gifts. This area was nominated by the supervisor as one of the growth areas for the pharmacy together with the areas of complementary medicines and depilatory/waxing products.

The banner group provides the pharmacy with a trained nurse who conducts a screening service which includes blood pressure and blood glucose screening. This service is provided at no charge to the customer.

The pharmacy also conducts a number of RMMRs with nearby aged care facilities. In order to streamline the medication review process a committee has been established which includes the pharmacist, the relevant doctor(s), the Director of Nursing and the senior aged care facility staff. During the meetings they discuss the medication issues related to each of the nursing home patients and they review the previous week's patients to ensure progress is being made in each case. The managing partner believes this format is efficient and inclusive of all health care professionals and results in less paperwork for all parties.

New Products & Services & the Implementation of Change

The managing partner is qualified to conduct HMRs and viewed this as an area of opportunity which would broaden the catchment area to two nearby towns. Providing a personalised HMR service could serve to further build customer loyalty and form the basis for a competitive advantage over the other pharmacies in the area. In preliminary discussions with GPs regarding this service the perception is that HMRs would be an “over-servicing” of health care. The doctors believed they were providing this type of service already based on the close relationship they had with their patients.

The managing partner would like to focus the pharmacy on new professional services, such as HMRs, and other areas of the business. Due to the lack of full-time pharmacists available in the area this has not been possible and the majority of the managing partner's time has been taken up by dispensary duties. If another pharmacist does not become available in the near future then the pharmacy may be required to reduce its opening hours.

The managing partner is also considering the future training needs of the staff. It is hoped that training could be delivered on-site in the pharmacy utilising new technologies.

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Potential Implications for Change Management

- Dependence on such a small number of GPs highlights the importance of maintaining good relations with other health care professionals – this can be critical to the introduction of new services.
- It can be used to upgrade skills in rural and remote pharmacies and this could also be used to provide some of the critical skills needed to manage change.

Key Learnings from this Case Study

- Community pharmacy generally has a high turnover of front of shop staff. The ability to retain senior staff can form the basis of a sustainable competitive advantage.
- Access to accredited training programs can be difficult in rural areas. Pharmacy needs to consider innovative ways to deliver accredited pharmacy education to rural and remote areas.
- Wireless technology can facilitate remote access to the pharmacy’s systems and enhance business efficiencies.
- Using a group process to facilitate the RMMR process has several advantages. It can potentially result in less paperwork and less resistance from doctors and also serve to strengthen relationships between the pharmacist and the other health care professionals involved.
“90% loyal customers”
Case Study Ten

**Expanded Pharmacy**

**Background Information**

This pharmacy is located in a small shopping village in a major Australian city. The pharmacy was established in 1998 when the shopping village opened. The pharmacy has an advanced position in this neighbourhood convenience centre as the nearest shopping centre and pharmacy are 10 minutes away by car. Market research conducted by the shopping village management indicated that approximately 20% of their customers visit the centre to access the community pharmacy.

The pharmacy owners focus their business on two major target markets in the area: first home buyers and retirees. Customers come predominantly from the immediate local area but many also visit the pharmacy from nearby districts where there are no pharmacy services. The owners believe that there has been an increase in the number of customers recently with access to the area made easier due to extensions to the highway and the railway line. Management say the area is one of the fastest growing regions in the state. The pharmacy operates as a partnership with one owner working full-time in the business. The pharmacy owners have created an informal network with two other pharmacies in which they have a financial interest. This gives the independent pharmacy a small support group with which it can work.

The owners have identified numerous competitors in their local area. The two supermarkets in the shopping village provide competition for the pharmacy’s front of shop product lines. A local health food store sells vitamins and similar products. This pharmacy does not have a staff member specially trained in complementary medicines so they recognise the expertise of their competition in this area.

Two new pharmacies have opened recently in nearby developing areas.

**Customer Demographics**

The population in the area is growing at a significant rate (22%) compared to the state (7%) and Australia. The area has more children and fewer 20-39 year olds as a proportion of the total population than the state as shown in Graph 1.

The under 19 year olds and 20-39 years old are growing at 18% and 11% which is against the state and Australian trend which is reasonably stable, as shown in Graph 2.

It is a medium income area with median weekly individual income of $300-399, equivalent to the state and Australian median. The area has high unemployment (10.2%).

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**Graph 1:** Area Population by Age Group for 2001

**Graph 2:** State-wide vs Local Area Population Growth from 1996—2001

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Pharmacy Strategy

According to the owner, the pharmacy’s competitive advantage lies in “the pursuit of the pure business of pharmacy… the pursuit of excellence”. Their management strategy focuses on staffing the pharmacy with the necessary staff capacity to meet the needs of their customers and to successfully run any new programs. The owners try to ensure that well-trained and familiar pharmacy staff are always available and accessible to their customers.

The pharmacies owned by the partners have introduced a loyalty program which has a membership of ten thousand people. These members account for around 12% of all transactions in the pharmacy. The owners believe that hard work is the driving force of their business. When the pharmacy issues new prescription medication to either an existing or a new customer, the pharmacists make a follow-up phone call to the customer 2-3 days later. This follow up provides a value added service to the customer by monitoring their medication usage.

The pharmacy also makes extensive use of self-care cards by issuing them to customers regularly. Approximately 1100 - 1200 cards were distributed between two of the pharmacies last month.

The owner measures the pharmacy’s performance by a number of indicators and also educates the pharmacy staff to focus on these indicators in the daily running of the business. Some of these indicators are:

- The number of Self Care Fact Cards issued as a team within the pharmacy
- The percentage of sales of the generic product brand promoted in-store
- The average sale price
- The percentage of customers in the loyalty program

After the pharmacy lost a number of tenders for nursing home contracts, the owners employed a business development manager to help develop their strategy direction. The consultant’s role is to highlight areas for improvement and to assist with the development of their website (see Pharmacy Systems and Processes). This change resulted in an increase in the number of beds they service in aged care facilities from 60 to 220.

The owners are currently planning a re-fit of the pharmacy premises in order to increase health care product lines and de-emphasise product areas, such as hair care, skin care and the beauty area, where there is more competition. They aim to extend the area available to S2/ S3 products, back support products and home health care equipment.

Pharmacy Processes and Systems

KEY ROLES
There are two full time and two part time pharmacists on staff. The business also employs seven pharmacy assistants and dispensary technicians, and six part time staff. The dispensary staff report directly to the pharmacy owner while the front of shop manager is responsible for other matters. The pharmacy also employs a full time office administrator who handles the financial aspects of the business which are monitored monthly.

The pharmacy has designed a mentoring program to promote the education of the pharmacy team, with each pharmacist responsible for a group of pharmacy assistants. The owners believe it is important to increase and expand the knowledge of all pharmacy employees. However professional development is dependent on the pharmacist’s individual discretion as to who attends courses etc. There are no formalised procedures for pharmacists or pharmacy assistants in this area.

HUMAN RESOURCE MANAGEMENT
According to the owner, a comprehensive method of managing staff has been put into place since the pharmacy’s QCPP accreditation. Formal performance reviews have been implemented and the owner believes that this has helped identify roles and responsibilities in the pharmacy.

Staff members attend paid monthly meetings where they are trained in new products and QCPP procedures and requirements are reinforced. Staff are also familiarised with the pharmacy’s performance indicators. They are shown various graphs, such as stock holding versus sales, so they can identify discrepancies and address them appropriately.

There is also a reward/incentive scheme in place. For example, the front of shop staff are given a financial bonus as a group if that month’s performance indicators are met. Then at the end of the year, all the bonuses are calculated and divided between the team. The staff are also rewarded for achievements or working through a difficult period in the pharmacy. These rewards range from a ‘thank you’ card and a $50 gift voucher to a weekend away.

PROFESSIONAL RELATIONSHIPS
The pharmacy owner has worked hard to establish relationships with the local health care community and is also involved in the local Division of General Practice committee. The pharmacists have good contacts in this health care community so are able to call medical specialists as necessary for advice for the pharmacy customers.

TECHNOLOGY
This pharmacy places significant emphasis on internal and external use of communication and information technology (ICT). Internally, the pharmacy staff use the Internet regularly to communicate with drug companies and other pharmacies. All staff members have been trained so they can use all the internal ICT systems. In the future, the other pharmacies operated by the owners will be networked via the Internet.

The pharmacy network has set up its own website for their customers. It is not a prescription based service but rather an information source and a point of contact. At the moment there is no real reason to refer people to the website but the owners are looking to extend the information available through the site. They aim to build networks with health information providers so customers can access information through the pharmacy’s website and to provide Internet facilities such as chat rooms for various customer groups, such as mothers with young babies.
Expanded Pharmacy

Product & Service Offering

The following summary of the products and services offered by this pharmacy reflects their perception of the characteristics of their customers’ needs:
- Broad range of products
- Prescription service
- Community nurse
- Diabetes screening and diabetes education
- Methadone
- Weight management
- Home medicine reviews
- Lay-by services
- Neighbourhood banking services
- Healthpoint information

The pharmacy employs a community nurse for four hours a week to provide services such as immunisation, baby clinic, blood pressure testing and health promotion. This service is provided on a non-appointment basis for no charge. Diabetes screening is also provided at a minimal charge. The pharmacy has a consulting room that is used by the community nurse and by the pharmacists who monitor and record customers’ blood pressure, etc. There is no charge for this service but it is seen to encourage customer loyalty. Home Medicine Reviews are subcontracted to another pharmacist. The sub-contractor only does two HMRs per month for this pharmacy despite aggressive initial promotion of the service. This included targeting customers who could benefit from the service and informing them of the program, creating pamphlets for pharmacy customers and training for all staff about the program. Due to the low take-up rate, the pharmacy has lost focus.

New Products & Services & the Implementation of Change

The uptake of the Quality Care Pharmacy program in this pharmacy indicates that the business has the capacity and readiness to change. The owners used the QC program to focus their energies on the processes in the pharmacy and “get them right” (see Pharmacy Systems and Processes).

When the shopping village opened, a community bank approached the new retailers seeking a location for a neighbourhood branch. The pharmacy owners were initially sceptical about implementing a service outside their core professional business. However this alliance with the bank has provided the pharmacy with useful retailing knowledge and an additional source of customers.

The pharmacy researched the use and viability of the banking service with a customer feedback survey and has undertaken various marketing initiatives to promote and determine the need for the service. It is estimated that the service brings an additional 3000-4000 people into the store. When customers withdraw money they are already in the store and encouraged to spend. However there are also disadvantages to this service.

Two additional staff members are employed to operate the banking business and the pharmacy has an increased liability as they are responsible for the functioning of the bank. The bank branch has also taken up 9 m² of the pharmacy’s floor space and, as a result of the banking operation, the pharmacy security system had to be increased.

The pharmacy recently introduced a weight management program as a result of the descheduling of a weight loss product and as a response to an increasing problem of obesity in their area. A free counselling service is provided during which the pharmacist takes customers through a checklist of criteria to see if the drug is appropriate and, if not, will recommend lifestyle modifications as an alternative.

The service of a consultant dietician is offered for diabetes related matters. Pharmacy staff identify diabetes patients who are interested in learning more about healthy eating and managing their disease. The dietician runs tutorials at the pharmacy and takes groups on a guided tour of the shopping centre showing them what products to buy. The program is run at a loss by the pharmacy as participants are only charged a nominal fee of $5 but it is regarded as an invaluable service to the community.

Asthma is also a considerable problem in the area and the pharmacy works with the local asthma educator to provide an asthma management service for customers. The pharmacists help manage the illness by counselling customers on correct techniques, explaining asthma medications and providing other useful information.

The pharmacy is considering the implementation of a midwife clinic in conjunction with the already established community nurse service. Customers have shown significant interest in this area – there are a number of young families who could use the services.

Potential Implications for Change Management

- Expanded Pharmacies may emphasise price competition and focus on achieving increasing customer numbers and cost efficiencies.
- Services introduced are more likely to be product-focused, but this is not always the case.
- Achieving high quality assurance standards requires well-planned staff training and information sessions and reward systems.

“We create an atmosphere so that [our customers] feel [disappointed] when they go somewhere else.”

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Financial Information

OVERVIEW
This is an independent pharmacy of higher than average size and turnover in a shopping village location. It offers limited extended hours and has a substantial front of shop business component.

With Sales per square metre of $13,155 and Contribution per square metre basis of $2,013 this business is in the 44% of the Case study participants on both measures.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE
The pharmacy scores 129.4 on this index reflecting its high turnover category, its large prescription volume and front of shop sales levels. This score is almost 30% greater than the Sample Index (100) and is more than double the Australian average, placing this pharmacy in the top 5 pharmacies that took part in this study.

COST STRUCTURE
With a score of 100.8, this pharmacy’s cost index is very close to the Sample and slightly higher than the Australian average. For this business, the cost factors are relatively neutral. With a full and part time staff level of 19 (including 2 employed for non-pharmacy activities) this suggests a comparatively efficient business operation. The pharmacy is in a high rent location and its COGS levels are average which further supports this conclusion.

RISK
The risk score of 111.9 is determined from its business and operating risk scores as defined for the project, with a higher business risk score influencing the overall rating. Its total risk score against the Australian average of 74.7 comes from high sales variability (greater than 30%) reinforced by high growth rate.

INDICATIVE VALUE
With a “neutral” cost index and higher risk score, the effect of a strong financial performance ratio is offset placing this business near the average for the sample with a score of 107.0. The weighting of the various factors driving financial and operating performance again indicate that this pharmacy will be rated well below the Australian average.

Key Learnings from this Case Study
- Appropriate staffing of the pharmacy helps to facilitate the introduction of new services
- Refitting the pharmacy to de-emphasise competitive non-pharmacy lines can help to increase the pharmacy’s viability
- Customer loyalty programs can provide pharmacy owners with an invaluable source of information on their customer base and an effective way of monitoring and maintaining customer loyalty
- Transparency of the pharmacy’s performance indicators can help the pharmacy team as a whole improve business performance
- A permanent reward system can help to encourage staff through difficult periods and motivate the pharmacy team to work to the same financial goals
- Being in a developing area provides a number of opportunities for change in line with community needs. The pharmacy needs to be flexible and responsive to these changes.
- Having standard performance indicators for all pharmacy staff assists in keeping staff members focused on the top business priorities.
FOCUSED SPECIALTY CASE STUDIES
Background Information

This unique pharmacy specialises in compounding and provides customised medications such as bio-identical hormone replacement therapy and varied dosage forms. Examples of these specialised medicines include:

- Combining multiple medications into a single convenient dosage,
- Adding flavours to medicines for children or delivering them through alternate forms such as lollipops,
- Providing alternate medicine forms such as lozenges or creams depending on the patient preference and needs,
- Providing customised medications for pain management.

The pharmacy has an unusual niche market customer base. It relies on 100 prescribers, GPs and specialists Australia-wide, who send in the prescription by mail or telephone their request when the prescription is on file. The pharmacy dispenses no PBS medications. The overall dispensing rate is less than 26,000 prescriptions per year.

Customers are predominantly women experiencing menopause and using bio-identical hormone replacement therapy. There are currently over 2 million Australian women in this age group, with an additional 80,000 becoming menopausal each year1. However, only a small percentage of menopausal women choose this non-traditional approach. Other customers include men undergoing the male equivalent of menopause (andropause), the elderly, parents of young children, vets and dentists.

The pharmacy owner has run successful pharmacies in the past, and had developed a strong interest in compounding. When a new site/start-up location emerged, the owner took the new site and fitted it out as a specialist facility with compounding as the central focus. The purpose built facility has rooms for other services such as doctors’ rooms, naturopaths and other services.

Customer Demographics

This pharmacy’s customer base is not dependent on the physical location’s demographics. The pharmacy is located in a newly developed high-rise residential area on the fringe of a major city’s CBD, and has been in this location for 18 months. The owner specifically selected this location because most of the residents work outside the precinct during the day resulting in a reduction of passing trade. The pharmacy operates from 9am to 5pm, Monday to Friday, and has very limited retail stock.

According to the owner there are less than ten walk-in customers a day.

COMPounding IN AUSTRALIA

The number of compounding chemists in Australia has grown dramatically over the past few years, increasing from 20 in 2001, to over 100 in 2004. Compounding relies on a strong triad relationship between the patient, physician and pharmacist, which results in a highly personalised product for the patient. Initially, the physician prescribes the medication and the pharmacist then compounds the ingredients into a tailored medication form for the patient.

As the major customer group for this pharmacy is older women, the following statistics were analysed to illustrate the most significant market for this pharmacy.

In Australia, women make up about 50% of the population. Women of menopausal age, 40-59 year olds, are 26% of all females and increasing (over 15% from 1996 to 2001 census data). As well, the numbers of 50-59 year old women increased over 25% in the same 5 years. Women often introduce their male partners as customers for compounding. The male population of the 50-59 age groups is increasing at 23% and for the over 60 age group at 13%.

Graph1: Australian Population by Age Group—2001 Census

1. Source: Professional Compounding Chemists of Australia literature

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Pharmacy Strategy

The pharmacy’s focus is on compounded formulations and it aims to be a niche player in this market. The pharmacist plays a strong role in the medical team, educating both the consumer and prescriber.

It has a two-fold strategy aimed at both its product users, and the prescribers. For consumers, the pharmacy team provides in-depth consultations. At one level, they provide a lot of education to consumers, who then pass this information on to the prescribers.

This pharmacy seeks to develop deep relationships with the 100 or so compounding prescribers located around Australia. They do this through a strong education focus, with professional seminars, one-on-one discussions, and publishing journal articles. Numerous marketing methods have been used in the pharmacy, with each evaluated for its effectiveness. Print media is considered the least effective, with one-to-one education considered the most effective.

This pharmacy does not see itself working against specific competitors; rather, it seeks out new opportunities and markets.

There is over 20 years of experience of compounding industry experience in the United States. The pharmacy uses this knowledge base and research from the US, and seeks opportunities to adopt and adapt the relevant elements to the Australian market.

They are strongly committed to extending the professional consultation role of pharmacists, and are planning to provide associated services and products that support this. The pharmacy already has purpose-built consultation rooms that can accommodate naturopaths and doctors, and will be expanding its service in future months.

Pharmacy Processes and Systems

This pharmacy documents its work processes, aiming to record best practice developments. These procedures and protocols are designed as living documents, to reinforce and disseminate the internal knowledge. They are updated when processes change.

Customer service is a high priority. There is planned follow-up with customers after they have their first consultation. The effects of the new medication can take around two weeks. The pharmacy monitors its customers’ medication reactions and responds accordingly.

KEY ROLES

There are two key roles in the pharmacy, the pharmacy owner and the business manager, who work together closely as the management team. They adopt a portfolio approach, each having their own area of specialty. The owner focuses on business development, identifying potential future products, while the business manager manages the pharmacy and facilitates the appropriate business processes to support the products. This approach allows the pharmacists to concentrate on their professional role, free from management distractions.

This pharmacy employs a staff of 15. In the compounding area there are four pharmacists in “conventional” pharmacy roles working closely with dispensary technicians. A number of administrative staff are employed to manage the paperwork, follow-up with patients, send out the medications and other work associated with the dispensing of the medication.

REPORTING IN THE PHARMACY

The proprietor and business manager generally meet together weekly. There are regular weekly meetings with all staff and monthly meetings for product development. The meetings are an opportunity to discuss the product research and related pharmacy management issues.

PHYSICAL STRUCTURE

The whole pharmacy has been designed specifically for specialised compounding, and to facilitate a smooth process workflow. A specially designed compounding room, with the latest facilities to assist in producing the medications, is the centre of the pharmacy.

PROFESSIONAL RELATIONSHIPS

This pharmacy has developed very strong relationships with its prescribers, and strengthens these relationships through education. The education is usually one-on-one or through seminars on specialist topics.

The pharmacists keep professionally updated through their own personal research and through the networks and training provided by the PCCA (Professional Compounding Chemists of Australia).

TECHNOLOGY

The pharmacy has a strong technology focus, and uses its website as a source of information provision and direct contact with its customers and prescribers.

One of the issues impacting on the business is that there is currently no suitable software available for compounding. This means that a manual system must be used to keep track of the combinations. The owner is currently looking at software options to meet this need.
At present, the pharmacy provides three main service offerings:

1. Bio-identical hormone replacement therapy;
2. Veterinary medicines; and
3. Alternative dosage forms, such as creams etc.

The pharmacy is currently conducting market research and feasibility analysis for its cosmeceutical service offering. Eighty-five percent of the pharmacy's customers are menopausal women looking for an alternative to traditional hormone replacement therapy. The pharmacists work alongside each patient and their doctor to design an appropriate prescription. At present, a consulting fee is incorporated into the price of the product; however the pharmacy owner is planning to charge for consultations in the future.

Although the pharmacy specialises in women's menopause treatment, some women are referring their partners and family members to the prescribers. This has resulted in an increase in male customers.

There is a structured process for assessing new products and services under consideration for integrating into the pharmacy practice. The feasibility of the proposed new services depends on the interest shown by the prescribers.

When considering a new opportunity, management selects a pharmacist expert in the organisation who has an interest in the suggested field. This "expert" then carries out personal research in the area, reporting back to the pharmacist team. The expert makes initial contact with the targeted prescriber either by telephone or a letter. Once the contact is made, the pharmacist is brought in to meet with the key prescribers and discuss their needs and issues. The pharmacist assesses the issues raised by the prescribers and determines how to best solve the problem. To do this, the pharmacists consider existing products and assess how these can be tailored to address the prescriber's issues.

They also assess what they think might work in the market. It is an iterative process that requires strong relationships with prescribers.

“So it’s really about engaging the experts to tell us what it is about their practice that’s presently difficult.”

The pharmacy is currently assessing the viability of extending its compounding services such as cosmeceutical and dental compounding. In the US, the biggest market for compounding is for veterinary and dental compounding.

“95% can be serviced by traditional medication. It’s only the 5% that fall beyond this that we are focusing on.”

Cosmeceuticals are dermological products that have a cosmetic effect on the lower skin layers.
### Financial Information

**OVERVIEW**

This is a relatively new business with a purpose built layout to reflect its business philosophy and product/service specialty. The scores that are identified in this financial analysis are considered to be consistent with the growth status of this pharmacy and suggest that while it is a low relative performer at this stage with higher than average cost, it is low risk leading to an indicative value index that is higher than the Sample although still below the Australian average. In terms of Sales per square metre ($4,323 psm) this business is in the bottom 20% of the Case study sample and is also in the bottom 20% of cases as measured by Contribution per square metre ($661 psm). The above outcomes are consistent with a business that is relatively new and is using a different business model that is still being established in the minds of its targeted customer base.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

### FINANCIAL PERFORMANCE

The pharmacy achieves a score of 40.5 which is extremely low compared to the Sample and significantly lower than the Australian average. This is a relative measure and when both turnover and prescription volumes are low, because of the nature of the pharmacy’s business, a low score can be expected. This is still an early stage business pursuing a unique product/service market strategy. This business is experiencing high sales growth and low sales variability. The low score should not be interpreted as poor absolute performance.

### COST STRUCTURE

This pharmacy has a relatively ‘neutral’ Sample cost score of 100.8, resulting from reasonably low Cost of Goods Sold and higher staff and location costs. It has a higher cost structure than the Australian average of 97.0 for all pharmacies. This is a technical business with a significant production component requiring skilled staff. Its location in a high profile building in a unique location has impacted on its rent level.

### RISK

The risk score of 57.4 is derived as a composite of business and operating risk scores. This business has an extremely low business risk component leading to the lowest overall risk score in the Sample. It is a business, that is developing new approaches and methodologies for its product/service offerings. Against this background it has reported high growth rate and very low sales variability which when combined with a high proportion of prescription business is minimising its risk.

### INDICATIVE VALUE

This business achieves a score of 119.6 against the Sample index and is well below the Australian average of 133.6. Its cost structure, and relatively low financial performance are out-weighted by low risk to determine this value score and this outcome is possibly reflective of the stage of development and the nature of this pharmacy business.

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**Key Learnings from this Case Study**

- People are not the only users of pharmaceutical products. Even if a market is not formally defined, this doesn’t mean it does not exist. Asking the question “What if you could …?” helps identify potential markets.
- It is possible to leverage from personal skills and strengths. In this organisation, the pharmacist enjoys the product development/compounding and employs a specialist business manager to implement projects and further develop the business.
- In an innovative business such as this there is ongoing environmental scanning with the pharmacist team researching current happenings and relevant best practice either locally or from overseas.
- This pharmacy accepts that not all their marketing campaigns will work, and there is an element of trial and error.

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1. The financial analysis and comparisons for each case study is based on a Sample size of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study’s cases on a relative basis.

2. Financial Performance: The financial performance score is based on a model that uses turnover and prescription sales as key variables.

3. Cost Structure: The cost index is a composite of Cost of Goods Sold, Salaries and Rent as a percentage of turnover.

4. Risk: Risk comprises Business and Operating risk. Business risk takes account of Prescription Numbers, Prescription Percent (of turnover), Sales Growth and Sales Variability (an inverse relationship); Operating risk takes account of Prescription Numbers, Size of premises, Staff Hours and Trading hours.

5. Indicative Value: The expected business value assuming normal operating ratio, given the measured contribution margin expressed as a percentage of Turnover.
the wellness and weight-loss pharmacy
Case Study Twelve

Background Information

This pharmacy owner has been working in a community pharmacy on the outskirts of one of Australia’s largest cities for over 30 years. The business has moved location three times over this period, each time moving to a larger operation in the same area. Over this time, the business had grown steadily. However, in 2003 a discount pharmacy opened nearby and undercut this pharmacy’s prices by 30%.

In response to this competition, the owner took a firm strategic decision to differentiate by providing a value-added service that would be difficult for competitors to match, rather than compete on price.

At the same time the owner developed an interest in the areas of nutrition and weight loss management. The owner felt this would address a growing obesity problem in the pharmacy’s customers and also in the wider community. The pharmacist believed a weight loss service would be an extension to the community pharmacy’s core business due to the merit of skilled professional advice for customers.

The owner approached a number of manufacturers offering weight loss products and the Pharmacy Guild and subsequently set up a pilot program to trial a weight loss category. A small number of other pharmacies in the state were recruited to participate in the pilot. However this pharmacy is the only one still offering the service.

The owner credits the successful implementation to a personal commitment to the area and the financial commitment made by employing a specialised staff, such as a nutritionist and naturopath. According to the owner, this is the major factor in the program’s success. The owner believes for a weight loss service to work effectively, it needs a compliance program and dedicated staff, skilled in nutrition.

The pharmacy has 24 staff including three full-time pharmacists. The pharmacy covers a large area (over 400 sqm) and is located on a busy main shopping street with through access to a car-park behind the store and services a largely populated area (see Customer Demographics). The pharmacy is open seven days a week from 8.30am to 9pm and averages over 300 prescriptions per day.

Customer Demographics

The wellness and weight loss pharmacy is located in an outer suburb of one of Australia’s major cities. It services a large catchment area of 400 square km. Graph 1 shows that at least 60% of potential customers are under 40 years of age. There are fewer people over 60 in this area than in the state. Households in this area are more likely to be young families with children. There are more labourers and clerical workers (which have a high proportion of women) in this area.

In socioeconomic terms this is a middle income area with a median weekly household income of $800-999 (the same as the state average) but a higher weekly individual income ($400-499) than the state average. With more affordable housing than many parts of the city, the area attracts large numbers of young families.

The pharmacy’s weight loss customers come from a broader catchment area including some country areas. This success has been driven by word-of-mouth and recent media coverage associated with the pharmacy’s weight loss program. Although a number of customers have been referred to the program by their GP, the pharmacy owner believes this has been at the customer’s request.

The weight loss service customers are predominantly female although they will often recruit their partners to participate in the program. They are usually driven to lose weight because of a related illness, such as high blood pressure, cholesterol, arthritis, or simply due to the discomfort associated with their excess weight. They are also likely to be on several medications associated with their obesity.

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Since the introduction of the Weight Loss Compliance Program 18 months ago, the owner’s focus has shifted from a traditional pharmacy model of medication supply and management to the promotion of a total “wellness” concept for their customers. The success of this concept can be seen in the Weight Loss Compliance Program which has 4000 active participants. Building on the success of the program, the owner is now committed to driving this concept further to develop a total wellness and weight loss pharmacy. This means a redesign of the pharmacy in the near future to create a wellness and weight loss centre. The centre will incorporate a counselling area for the nutritionist/naturopath, a group session area and a full range of wellness-related products including herbal and complementary medicines.

The traditional dispensary and front of shop business will continue to operate as usual. The owner says the “wellness-related” business, which includes weight loss product sales, some scripts and complementary medicines, accounts for approximately 50% of the pharmacy’s total business and is still growing.

Pharmacy Processes and Systems

KEY ROLES
Roles are clearly defined in the pharmacy. The owner’s role is to drive the core strategy. This includes being the spokesperson for the weight loss and wellness program, managing marketing programs and initiating other potential service offerings relating to this core focus.

Other family members are involved in the business and are responsible for managing the day-to-day operations of the front of shop, dispensary, human resources and overseeing buying.

The nutritionist/naturopath is responsible for the day-to-day management of the weight loss compliance program which includes program initiation, weekly monitoring of progress, group sessions and ongoing advice to customers. Their role is to teach people how to eat and live healthily which is critical for success of the program. This is a long-term commitment, requiring a substantial dedication both from the customer and the pharmacy.

TEAMWORK & TRAINING
All staff are trained to answer initial weight loss phone enquiries and to refer customers to the nutritionist for enrollment into the program. They all receive basic training in weight loss management and nutrition from the nutritionist either one-to-one or on a group basis in the pharmacy whenever time permits.

There is no formal training program. This ad hoc method is necessary due to the large volume of telephone enquiries received because of recent media coverage.

PROFESSIONAL RELATIONSHIPS
Initially, the owner received some hostility to the program from GPs and other professionals in the area. The pharmacy now receives referrals from some GPs.

The owner has a good relationship with a nearby pharmacy offering a sleep apnoea service. Potential sleep apnoea customers are referred to them and, in turn, this pharmacy receives referrals for the weight loss program.

TECHNOLOGY
The pharmacy owner has commissioned the development of a website to promote the weight loss and wellness program and the pharmacy receives a large number of emails from potential weight loss customers.

Product & Service Offering

The pharmacy’s weight loss program combines a Very Low Calorie Diet (VLCD) product with a weekly compliance program run by the nutritionist. Customers typically use the VLCD product for 3 to 4 months at an approximate cost of $40 per week. They are weighed weekly and have their blood pressure monitored by the nutritionist. Their details and progress are recorded on a database.

The use of a VLCD product provides customers with an initial and rapid weight loss. The nutritionist helps the customer maintain the weight loss and motivation with ongoing dietary and exercise advice and weekly group education and motivation sessions.

These sessions are held in the pharmacy by the nutritionist six days per week and focus on achieving healthy eating habits through an understanding of nutrition.

The naturopath is available for advice on the large range of complementary and herbal medicines available in the store. There is currently no fee for this service.

The pharmacy has a doseadministration aid service for its pensioner or elderly customers. Smoking cessation is another large category for the pharmacy and the pharmacists provide counselling and support for this important area.
New Products & Services & the Implementation of Change

The owner believes the core competencies needed to develop a successful weight loss management category in a community pharmacy are:

• an understanding of nutrition principles,
• a willingness to invest the time, and
• dedication to customers who require long term management.

According to the owner, this represents a significant paradigm shift for pharmacy, however the longer term rewards are perceived to be enormous. These rewards come from helping customers achieve their weight loss goals, often resulting in a reduction in their medications, and a significant improvement in their overall health and wellbeing.

The owner has a real passion in the area of nutrition but also looked outside the pharmacy for a specialist in this area. As part of the business grew, the owner has spent more time developing this project.

A community pharmacy is well positioned to monitor customers’ weight loss progress with their use of medicines and refer them to GPs if needed. In the owner’s opinion, this provides the community pharmacy with a competitive advantage over other weight loss centres. In practical terms, the pharmacy must be prepared to employ a dedicated nutritionist as the pharmacists often do not have the time to run the day-to-day aspects. A good understanding of nutrition principles is mandatory. The owner believes nutrition should become a core part of the undergraduate pharmacy degree. The most successful long-term weight loss programs use group weight loss sessions. This means the pharmacy needs the physical space to run such meetings. More importantly, the owner believes the concept requires a shift in thinking for most pharmacists.

Good marketing skills are required in order for the pharmacy to ensure it is adequately promoting itself as a weight loss expert in the local area. This pharmacy has strong word of mouth promotion and advertises extensively in a free local newspaper. The advertisements do not mention the VLCD product name but promote the meal replacement concept. The pharmacy owner says it is difficult to get supporting product literature for customers and the pharmacy has printed special pamphlets.

Importantly, the owner has developed an in-depth understanding of their customer base over the 30 years in this area. The owner is strongly embedded in the local community and has developed strategic relationships with other local community organisations, for example, the local football club is a referral point for the pharmacy. The owner believes this understanding of the local community “psychographics” is advantageous when considering which new products and services will be successful.

The owner is committed to creating a ‘Wellness and Weight Loss Centre’ within the pharmacy. The shop refit is due for completion by the end of the year. Other plans include a regular newsletter to members. This may be tied to a membership fee which is being considered for the compliance program. The owner believes any fee needs to be linked to a value-added service, such as regular educational material about healthy living. This could be sponsored by relevant manufacturers and possibly the Pharmacy Guild.

The owner believes the concept of the community pharmacy could be a wellness and weight loss destination and this concept has the potential to revitalise pharmacy. There could be a niche for pharmacies to help educate people about health and nutrition. The owner believes that weight loss programs in community pharmacies should be funded by a fee for service under Medicare. The owner argues that successfully implementing this service in community pharmacies would result in dramatic reductions in PBS expenditure on expensive medications for blood pressure, diabetes and cholesterol. This could be a powerful business case presented to government.

Potential Implications for Change Management

• Achieving this level of success in the weight loss program area requires a significant long term commitment, both professionally and financially, by pharmacy owners. The income stream that may result from the success is difficult to assess in the early stages and even on a monthly basis.

• The pharmacy must employ specialised staff for the focused specialty area and other pharmacy staff must have clearly defined roles and appropriate training to take full advantage of the opportunities.

• Services matched to the pharmacy’s specific demographic and customers’ psyche is important for the successful planning and introduction of the service. It is also critical for attracting customer through personal referrals, promotion or advertising. This strategic planning or matching a service to a need may not be within the skills of all pharmacists. The information or a personal knowledge of these characteristics may not be available.

• A paradigm shift in the types of services that pharmacy can provide to the community would be required to extend this business model across a broad number of pharmacies. This shift would be assisted by a balance assessment of why a new service was discontinued in some pilot pharmacies and a precise identification of the time and finances required for success. A beginner’s “how to” implementation guide may be required to reduce the risks of failure.

• While this pharmacy has been successful in promoting and implementing a weight loss program, the service is very much wrapped around a product. The credibility of the product, safety, the availability, the affordability are all issues to be addressed before launching a similar service.
Financial Analysis

OVERVIEW

This is an independent pharmacy operating with a particular product service focus on wellness-related activities in a relatively large outlet in a busy shopping street. The data provided classifies this as a large/high turnover business with a high level of dispensary activity operating in a high rent location with low sales growth and low sales variability.

In terms of Sales per square metre ($13,155 psm) this business is in mid-range 40% to 60% of the case study sample but is in the bottom 40% of cases as measured by Contribution per square metre ($1,692 psm). The latter indicator suggests that there is a high level of costs involved in achieving the sales performance.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE

The pharmacy achieves a financial performance score of 129.4 which is a high score compared to the Sample index and well above the Australian average of 63.0.

This is being achieved as the result of prescription volumes in excess of 65,000 per annum and the resultant high level of turnover. While the pharmacy is also highly reliant on its prescription business it is still generating approximately 25% of its business from front of store activities and services. The level of weight loss sales and complementary medicines are considered to be significant in this regard by the owner – as stated earlier in this report.

COST STRUCTURE

The cost structure score of 103.7 compared to the Sample index and the Australian average of 97.0, indicates that this pharmacy is paying a cost premium to achieve its sales volumes and turnover.

With relatively high staff hour rates and a large staff establishment, combined with high rent levels and relatively high cost of goods sold, this business is investing above average resources to achieve its business objectives.

RISK

With a risk score of 80.8, which is a composite of its business and operating risk scores, this is a comparatively low risk business against the Australian Average. High prescription volumes and very low sales variability (highest to lowest month) are combining to offset low sales growth to determine this risk score.

Indicative Value

This pharmacy is a relatively low ranking business with an index score of 81.4. As is apparent from the analysis of all of the case studies, businesses such as this that achieve strong performance on some scales (e.g. financial performance) are incurring “premiums” on other scales (e.g. costs) which are acting to counter each other. Because this measure is derived in proportion to turnover, this will also act to modify value when turnover is high but contribution is comparatively low.

Key Learnings from this Case Study

• A focused strategy and successful implementation results in significant financial returns and a high level of professional satisfaction. It also leads to the respect of other professionals (e.g. GPs) who may not know the full extent of community pharmacy strategy.

• Broadening the community and fellow professionals understanding of what a pharmacy can offer can lead to referrals and more specific customer feedback for services needed. GPs may then suggest other services for which there is an unmet need in the area.

• A service offering based on customer needs can be successful. But wide ranging success for many pharmacies may require manufacturer support in training, educational material and lobbying of government for Medicare fee subsidies. This would assist the success and motivate pharmacists for the introduction of new and broader services for pharmacies.
This is a small, independent pharmacy located in the inner western suburbs of one of Australia’s largest cities. The proprietor has recently become a sole operator after several years of partnership with another pharmacist.

The pharmacy specialises in "cosmeceuticals", compounding, traditional and herbal medicines and is well placed to deliver these customised services to the local customer base who are generally affluent and well educated inner city professionals. In keeping with this differentiated strategy the pharmacy has recently undergone a physical redesign with a new name and marketing program.

This strategy suits the owner’s professional background, expertise and professional interests. The owner has a strong interest in community health and preventive medicine as well as formal qualifications in nutrition, complementary medicine and compounding pharmacy. Previous career experience in the pharmaceutical industry and formal qualifications in these areas contributed to the new face of the boutique-style, inner city pharmacy.

The owner is starting to pilot other services in the pharmacy, now that the compounding business has been operating for two years. The pharmacy’s role is seen by management as “serving the community” by advising them on healthy living practices.

The pharmacy is open seven days a week, from 8am to 8pm Monday to Saturday and from 9am to 7pm on Sundays. There are nine employees including a compounding technician, a qualified herbalist/pharmacist who works three days a week and a baby clinic nurse who works one morning a week. The pharmacy dispenses an average of 85 prescriptions a day. The pharmacy is located on a main shopping street and its customers are a mix of local residents, local workers and passing shoppers. From 5pm to 8pm weekdays the pharmacy serves a large number of working professionals; during the day customers are more often non-working mothers of young children and pensioners.

The majority of the pharmacy’s regular customers are affluent, well-educated women aged 25 to 50, who are predisposed to complementary therapies and products. There is also a group of new mothers who use the pharmacy for advice on baby care issues. The owner believes this is because the local child health centre is inconveniently located away from the shopping strip and works only on an appointments basis.

Customer Demographics

The pharmacy is located in an upwardly mobile, inner city suburb. The suburb has over 60% of residents employed as professionals, significantly more than the state or Australian general working population. The area has a low unemployment rate. Most people in the area (70%) are aged 20-60 years (see graph 1). The 20-39 year age group is growing faster than the rest of the state (see graph 2). There are some older customers but the 60 year and over segment of the population is not growing, in contrast to most parts of Australia. The growth in this area is more predominant in the 20-39 year old segment.

The catchment area for the compounding business covers a broader area and includes referral business from a select number of GPs and specialists. One third of the compounding business is generated from local veterinarians.

Of the area population, 40% do not consider themselves living as a family, but just over 30% are families with children under 15. Most families are childless couples (close to 50%). This will affect the product mix for the pharmacy where prescription customers are often the elderly or young children.

In socioeconomic terms this is an upper income area with median weekly household incomes of $1,000-$1,199 and median individual income of $600-$699, approximately double the state average.
For the past two years, the owner has focused on establishing and building the compounding business. The initial investment and set up costs were significant. Although compounding has been very successful, it has not been in the areas the owner originally anticipated. The owner believed the controversy surrounding oral Hormone Replacement Therapies (HRT) would mean a ready made customer base for compounded HRT. However, this is not the case. Doctors in the area are wary of indemnity issues associated with compounded formulations and lack confidence in prescribing them. HRT prescriptions are mainly filled for people who have used these medicines for some time. Typical products are creams and troches. New business has come from other types of compounding.

Pharmacy Strategy

For the past two years, the owner has focused on establishing and building the compounding business. The initial investment and set up costs were significant. Although compounding has been very successful, it has not been in the areas the owner originally anticipated. The owner believed the controversy surrounding oral Hormone Replacement Therapies (HRT) would mean a ready made customer base for compounded HRT. However, this is not the case. Doctors in the area are wary of indemnity issues associated with compounded formulations and lack confidence in prescribing them. HRT prescriptions are mainly filled for people who have used these medicines for some time. Typical products are creams and troches. New business has come from other types of compounding.

Pharmacy Processes and Systems

KEY ROLES
The owner oversees all of the functions within the small pharmacy and there are a number of systems in place to ensure the pharmacy runs smoothly. The owner undertakes a monthly review of all front-of-shop category sales and profitability. Non-performing lines are replaced with better performing ones. The owner says growth had recently slowed for the general front of shop categories and believes this is a direct result of the installation of parking meters in the street. The owner says other local businesses have seen a reduction in store traffic as customers prefer to shop at nearby shopping centres where free parking is available.

REPORTING & DELEGATION IN THE PHARMACY
The owner has a formal review process for staff and is careful when hiring to ensure the person is correctly matched to the position. The owner has on-the-spot meetings when there are enough staff present. The owner’s human resource management skills from industry experience are used in the pharmacy. Marketing is undertaken in a systematic way with a monthly schedule of promotional activities. The owner prepares the monthly program and delegates the operational aspects to senior pharmacy staff.

TECHNOLOGY
The pharmacy has recently been redesigned to include a dedicated compounding area with state-of-the-art equipment to make creams, capsules, troches and other specialised dosage forms. Compounded formulations are sent all over the country and a new website (currently in development) will be used to promote the pharmacy’s services and to communicate with consumers. Full e-commerce functionality will be introduced in the future.
Potential Implications for Change Management

- Pharmacists lack mentoring in management and delegation for their pharmacy businesses. These business skills may be developed more easily with mentoring rather than formal education.
- Increasing competition for the same customers may prevent pharmacists from learning from each other. Some activities may only be viable on a large scale (e.g. expo’s of certain product/service lines) which could be achieved by working together.
- Large financial and time commitments to trial a new service (e.g. two years to make compounding a success) may deter small pharmacies. The risks are often unknown and a template for introducing the service (from experiences of others) or marketing promotion skills would reduce risks of failure and encourage change.

New Products & Services & the Implementation of Change

COMPOUNDING PHARMACY

The owner has been successful in building a profitable compounding business over the last two years but acknowledges there were substantial financial risks involved in the initial setup. A major barrier to growth for the compounding business has been the reluctance of local GPs to embrace the HRT concept. A time-intensive marketing effort on the merits of compounding for HRT has not convinced them. However, due to other opportunities (medical specialist and veterinary referrals and cosmeceuticals) the owner believes the compounding business will continue to grow and be profitable.

Other compounding pharmacies in nearby areas compete for customers, but generally once the pharmacy has a loyal customer they tend to retain them. Due to this competition, there is not a lot of information sharing between compounding pharmacies. This is seen as a barrier to improving knowledge and fostering the growth of the compounding industry.

DIABETES SCREENING

Recently the owner has been involved in diabetes management education. The original motivation to explore this area was multi-faceted and included:

- the value of continuing professional education;
- understanding that new services can be a new model for pharmacies as it requires less reliance on the PBS; and
- the opportunity for more interaction with local GPs.

The owner now has doubts about the role of community pharmacists in such a highly complex and specialised clinical area, believing it may be more appropriate for pharmacists to provide reinforcement and medication compliance. The owner has an interest in providing screening and identifying pre-diabetic states because this is closely aligned with the pharmacy’s direction in preventative health. Participation in the diabetes program has given the pharmacy access to an external company that will hold screening days in the pharmacy. The screening program of five tests will cost customers $25 and will be promoted in the local newspaper and in the pharmacy.

WEIGHT LOSS PROGRAM

A weight loss program is being piloted with a small number of customers. This involves consultations, weekly monitoring of blood pressure and weight, and dietary and lifestyle advice. Initially this will not incur a fee because the owner sees this as a value-added service that can be provided to the local community. As with the compounding business, the business potential of the service will be analysed before being rolled out further. The owner expects the service will only be profitable if there is a fee for service or associated product sales. Another possible constraint on growth of this program is the limited floor space in the pharmacy.

The owner is “feeling the way” with some of the newer programs being offered. The owner believes the pharmacy industry will need to be less reliant on PBS funding in the future and therefore the pharmacy’s strategy deemphasizes this dependence. The owner believes prevention and the nutritional influences in disease states will be seen as more important than treatment. With compounding and the front-of-shop business accounting for approximately 50% of total business, the owner sees a viable future for the pharmacy focusing purely on compounding and preventive and complementary medicine.

Product & Service Offering

The pharmacy provides a number of services including:

- Traditional and compounding dispensary
- Baby clinic nurse (one morning a week)
- Screening for blood glucose, cholesterol, red blood cell count, blood pressure and heart rate
- Complementary and herbal medicines - consultations and products
- Skin care with free consultations and samples of cosmeceuticals/anti-aging skincare products (the pharmacy’s own Vitamin C cream and a specialised range of products)
- Weight loss program utilising CSIRO wellbeing diet and lifestyle coaching from pharmacy staff (currently being piloted)
- Asthma device monitoring

These services are promoted using regular advertisements in the local community newspaper and brochures in the pharmacy. The recent baby exposition which was promoted this way was very successful. Pharmaceutical representatives were invited to discuss their products and provide samples for customers on a pre-arranged morning event. The clinic nurse was present to discuss issues with customers. There was good customer attendance. Many of these customers then signed up to the pharmacy’s baby club loyalty scheme.

The event was seen as profitable in terms of product sales at minimal cost to the pharmacy. Similar events are planned for the other services noted above.
Financial Information

OVERVIEW
This is an independent pharmacy operating with a particular product service focus in compounding. It is a small, low script volume outlet that is achieving front of shop sales in excess of 40% of turnover which could be due to the compounding activity. The business is achieving modest sales growth but is earning high gross margins.

With sales per square metre of $19,372 and Contribution per square metre of $3,536 this business achieves one of the top results in the Case study sample being in the top 20% on both measures. This outcome is attributable to the reasonably small footprint of this case.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE

Notwithstanding its performance on a per square metre basis, this pharmacy has a low financial performance score of 48.2 and ranks well below the comparative indexes and averages. Again this is because of the measures used and paradoxically shows the impact that small size has on relative performance.

COST STRUCTURE

The cost structure score of 97.3 compared to the Sample index which is indexed to the Australian average is below the overall sample and very similar to the average cost structure. Although this business reports high unit values for the cost measures, the relatively small size of the business and the low number of staff hours involved reduce the absolute impact of these costs. The fact that cost of goods sold is lower due to the compounding margins is assisting in the weighting of the cost measures, the relatively small size of the business and staff hours are acting to minimise the operating risk.

RISK

The composite business and operating risk score for this pharmacy is 70.7, with a low calculated business risk together with an even lower operating risk. The issues that are driving the business risk in this example are low prescription volumes, low prescription percent and high sales variability. The operating factors in terms of prescription numbers, size and staff hours are acting to minimise the operating risk.

INDICATIVE VALUE

This pharmacy ranks well against the Sample with an index score of 115.5. This result is driven by strong contribution margins in proportion to its level of turnover and shows that while it may not rank highly against the comparisons in terms of its financial performance, its business focus is assisting it to an outcome that is low risk and cost neutral.

Key Learnings from this Case Study

- Sales and marketing skills acquired from working in industry can be effectively transferred to the business of running a pharmacy and provide the basis for an early competitive advantage for new services.
- An understanding of marketing principles allows the pharmacist to offer, price and promote specialised products and services to match the needs and habits of the local customer base.
- Pharmacists are seen by the community as having knowledge, integrity and credibility. They are usually conveniently located in communities. These assets, if harnessed effectively, can be utilised across a diverse range of health services. Those services are more likely to be accepted or trialled by customers due to the reputation and location of pharmacies.
- Provision of a unique and customised service, for example compounding pharmacy, can provide the basis for a sustainable competitive advantage. It can draw customers from a wider area and can protect the pharmacy’s cash flow if there is a downturn in other areas of the business.
- Being small in turnover or shop area does not prevent a pharmacy from offering new services. The owner’s skills, interest and motivation are important factors in providing a wider range of services to the community.
Background Information

This pharmacy is a manager-operated pharmacy, part of a small network of partner-owned pharmacies in an isolated rural town. This pharmacy moved to a community shopping mall seven years ago when the mall opened. The pharmacy's previous location was not an expanding market but according to management the new location has not proved to be as successful as was hoped. The pharmacy trades seven days a week and after hours service is available by contacting the owners on after hours phone numbers.

The pharmacies in the ownership group have centralised resources available to them. Head office looks after their financial and taxation requirements, human resources administration and payroll. They also provide a source of professional advice to the pharmacists. To overcome potential staffing issues common in rural areas, the group has employed a full-time relief pharmacist to work in all of the group's pharmacies.

This pharmacy's location in the tropical north of Australia brings with it a number of specific issues. As a result of the climate, the town has an extremely transient population. During the dry season (April – September) the population of the town more than doubles and the visiting tourists constitute a very different customer group than the town’s population in the wet season (October – March). The dry season also brings “transient locals”, people who return to the town every year. These customer groups also have diverse needs that the pharmacy must address (see Pharmacy Strategy section).

The transient nature of the population also has implications on the staffing of the pharmacy. This pharmacy has been fortunate in that three staff members have been working there for almost three years. This is considered advantageous in this setting and has created a more cohesive team at the pharmacy.

The pharmacy is located in a shopping mall that attracts mainly local customers. However the pharmacy itself has customers who travel from nearby towns to access their pharmacy services. The pharmacy also provides Section 100 bulk supply to Aboriginal communities across a broad geographic area. Indigenous locals, however, are not regular customers at this pharmacy. The pharmacy promotes local customer loyalty with a loyalty program. However this program has limitations with a transient population. While the program has 2,500 members, approximately 1,000 are considered “active” members by the pharmacy.

Customer Demographics

The transient population is partly seen by a dramatic 33% increase in visitors during the census (which includes those not living in the census area most of the time). The age group distribution gives an indication that the main customers during the dry season are 20-59 year olds (58%). The under 19 year old group is a lower proportion of the area's population than it is for the state. The small number of families in the area (48% against the state average of 78%) is affected by the number of tourists visiting.

The growth in population overall is deceptive (32%), as it possibly includes the visitor influx (33% of all potential customers are visitors). There is no evidence to suggest which age groups grow most during the tourist influx, nor if the local population is growing.

There is a high proportion of Indigenous people in the area (23% as against the state which has 3.2%). The pharmacist indicated that people from distant areas come into the town during the tourist season.

Graph 1: Local Area Population Age Distribution for 2001

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Pharmacy Strategy

There are two other pharmacies in town that provide direct competition for the specialised products and services provided. All the pharmacies, however, are part of the same ownership group and the degree of competitiveness depends on staff and is based on sales and budget figures. The owners have seemingly allocated responsibility for various services to each of the three pharmacies. The other pharmacies have different Section 100 areas that they service and one pharmacy provides dose administration aids to the community. Due to their various locations, they have diverse target markets.

According to the manager, the case study pharmacy’s point of differentiation is its banner group status and the pharmacy’s loyalty program. The banner group provides them with a support network but this is not fully utilised as many of the offers or programs recommended by the banner group are not viable in this rural setting. The banner group helps with advertising and merchandising expertise as well as providing a catalogue of sale items. Although the manager acknowledges that the introduction of non-pharmacy lines such as giftware provides a very small profit margin, these promotion activities encourage an increase of customer traffic in the store. The customer membership program gives the pharmacy an opportunity to provide their customers with special offers and VIP nights to encourage their loyalty.

The three pharmacies in the town are also involved in a smaller, state-based buying group that supplies them with discounted front of shop products.

The shopping mall where the pharmacy is located is removed from the town centre which makes the pharmacy more difficult for customers to access. In addition, the mall also consists of a health food store and a supermarket that compete with the pharmacy’s front of shop products.

As a result of the area’s seasonal nature, this pharmacy has a “cyclic” strategy. In the dry season, their customers are older transient locals who come to the mall to avoid the more touristy areas. The pharmacy also responds to the season and the influx of customers and tourists by offering products such as sunglasses and swimsuits. During the wet season, however, these products are discontinued and the remainder of the pharmacy stock is run down as there are less people in the town. The pharmacy stocks a small number of gift items over the Christmas period but ensures that they are not overstocked for the limited number of people remaining in the area.

The owners of the pharmacy group have positioned their three pharmacies as providers of Aboriginal Health Management (AHM) services in the neighbouring communities. These communities cover a wide geographical area. This strategic decision by the owners has benefited from the isolated rural location.

As a way of encouraging young pharmacists to move into rural pharmacy, the owners and their pharmacies participate in a Guild initiative that supports the placement of pharmacy students in these areas. The pharmacy group owners have also established a system in their own network that cushions them from the lack of locum pharmacists in rural areas.

Pharmacy Processes and Systems

KEY ROLES

The “cyclic” nature of the business has implications for the staff employed at the pharmacy. There is a base staff group who work all year round consisting of the pharmacy manager, a full-time stock controller, a full-time pharmacy assistant, a permanent part-time dispensary technician, two casuals, a junior and the group’s relief pharmacist. During the dry season the pharmacy employs an additional two to three casual staff.

The stock controller is responsible for the general order of stock for the pharmacy but direct company buying is done in conjunction with the pharmacy manager. This role also involves the delegation of tasks to the junior. The dispensary assistant has a great deal of training and experience and is responsible for the dispensary ordering, bulk supply to Aboriginal communities and filling scripts. The pharmacy manager counsels customers. All pharmacy staff, with the exception of the junior, report directly to the pharmacy manager.

As a result of the rural location of the pharmacy there is limited opportunity for continuing education for the pharmacist and the pharmacy staff. The manager has completed a course in management to increase knowledge in this underdeveloped area. The majority of training available is via distance education, journals or the Internet.

HUMAN RESOURCE MANAGEMENT

The head office of the group plays a major role in the human resource management of the pharmacy. They have centralised administrative functions for the management of personnel as well as combined staff meetings once a quarter.

At the individual pharmacy level the manager is responsible for human resource management. During the busier dry season there is limited opportunity to give the staff performance reviews. This is addressed in the wet season when business is quieter. The pharmacy has an official staff meeting every 2-3 months but meet on an informal basis as necessary.

Communication within the pharmacy is maintained via a “communication book” in which the manager writes messages to the staff on a daily basis. These messages can range from promotions that are being run in store to daily pharmacy activities. Although this has been found to work very effectively the manager also formalises communications in memo form when necessary.

TECHNOLOGY

As well as standard pharmacy technology systems, this pharmacy relies on the Internet for inter-group communications and information on health care issues. The pharmacies in the ownership group are in constant communication with each other via an online instant-messaging system run through the dispensary computers.
In the pharmacy the following products and services are available:

- Pharmacy only and pharmacist only products
- Skin care products
- Sunglasses
- Swimsuits
- Aboriginal Health Management
- Automatic teller machine
- Giftware

The ATM on the premises has been put in place to encourage traffic into the store but is not sufficiently used to directly influence the financial performance of the pharmacy.

The owners of the pharmacies have employed an accredited pharmacist to undertake HMRs in indigenous communities but this service is not offered at the pharmacy level due to a lack of accredited pharmacists and a lack of time.

The range of alternative medicines in the pharmacy is limited partly because a health food store is located nearby in the shopping mall.

The most significant new venture at this pharmacy is Aboriginal Health Management (AHM). Since its adoption in April 2004, it has been a profitable part of the pharmacy's product/service offering. One of the pharmacy owners with previous experience in the area implemented this service for the neighbouring remote areas. The pharmacy now looks after approximately seven to eight communities and has also recently tendered to supply additional communities.

The dispensary technician is the main staff member responsible for this service. A workflow system has been established to handle the orders from the communities. The community faxes a weekly order to the pharmacy which is then filled by the technician, checked by the pharmacist with the stock packed and sent to the community within a week. The time commitment to this service varies depending on the volume required by the community and the frequency of urgent orders phoned through from the remote sites. The communities also have accounts with the pharmacy for over the counter medicines.

Currently the dispensary technician has sufficient time available to implement this service but if the submitted tender is successful, further changes will be needed in the pharmacy. An extra staff member would be employed to assist the dispensary technician and a proposed pharmacy refit would include the provision of more space for the preparation and collation of orders for communities.

The pharmacy was previously run by a non-pharmacist manager. However it is thought that there is a more cohesive team now that the pharmacist-in-charge also manages the pharmacy. The pharmacist is believed to have a better level of involvement in all aspects of the pharmacy. The pharmacy manager would like to become more involved with the staff and develop the team environment further. The manager is also interested in implementing services such as blood pressure testing, glucose testing and weight management to become a more health conscious pharmacy. The manager acknowledges the constraints involved with being a sole pharmacist with additional management duties and the implications of this for developing new services in the pharmacy.

In a smaller pharmacy, being involved in a number of formal and informal networks can become difficult to manage and the advantages and disadvantages of membership in each network should be regularly assessed for business viability.

Sole pharmacist pharmacies need to reassess workflow and responsibility issues in order to implement new services.
Financial Information

OVERVIEW
This is a banner group pharmacy in a remote rural town. It operates seven days per week for a total of 62 hours and is a better than average turnover business. It is not a high volume prescription business by comparison to the averages and prescriptions account for less than 60% of turnover. The business is growing at a rate of 3% and is earning a high gross margin.

This pharmacy is in the bottom 25% in terms of sales per square metre of $10,383 but is in the top 38% in terms of Contribution per square metre ($2,313). This outcome is based on an above average sized location.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE
This pharmacy’s financial performance score of 53.0 places it at the lower end of both the sample and the Australian average. This is a situation where the pharmacy is operating in a distinct market environment. On a relative basis its performance is being impacted by its low prescription business volume.

COST STRUCTURE
The cost structure score of 92.5 compared to the Sample and the Australian average of 97.0, indicates that this pharmacy is doing better than others in the sample and better than the average Australian pharmacy. This is being driven by low Cost of Goods Sold and relatively low salary and wage rates, with these factors offsetting high rental costs per sq. mt.

RISK
The composite business and operating risk score for this pharmacy is 161.3, with a significantly high business risk compared to others in the Sample which can be attributed to the very high variability in sales reported by this business. While its operating risk is low to moderate, the extreme business risk is counteracting this to give the overall result.

INDICATIVE VALUE
This pharmacy ranks above the Sample with an index score of 107.3 notwithstanding its risk profile. This result is driven by very strong contribution margins in proportion to its level of turnover and shows that while it does not rank highly on its financial performance score, its focussed specialty emphasis appears to be assisting it to this outcome. It still ranks well behind the Australian average.

Key Learnings from this Case Study
- Networked groups in rural areas can overcome pharmacist shortages by working together and employing another full-time pharmacist to work between all the network’s pharmacies.
- An understanding of the nature of transient populations and their needs is difficult but it must be thoroughly analysed when considering the implementation of services. These needs also apply to available staff in this type of location.
- Banner group retail promotions may not be applicable for all geographic settings, particularly rural locations, but they can be used to encourage customer traffic.
- Technology can be used to create a more frequent form of direct communication between pharmacies in a network group.
- Allocating appropriate responsibilities to other staff members, eg dispensary technicians, in a sole-pharmacist pharmacy can increase the possibility of implementing new services.
Background Information

This pharmacy is located in a busy suburban shopping strip in a large regional city in Australia. It provides a specialised range of complementary medicines and practitioner-only herbal products and a customised compounding service to an extended customer base. The pharmacy operates within an integrated clinic setting located in the same premises. The clinic includes a number of complementary medicine specialists.

The managing partner of this pharmacy developed an interest in naturopathy and herbal medicines 13 years ago. The pharmacist was running a “traditional” pharmacy but wanted to provide the pharmacy’s customers with an alternative to conventional medicines. The pharmacist initially attended a course in herbal medicine and has since attained several additional qualifications and considerable skills in natural therapies/medicines.

While retaining ownership in the original pharmacy, the pharmacist has spent the last six years developing the complementary health practice and clinic with the other health care practitioners - two GPs with a specialty practice in women’s health, a naturopath/herbalist and an orthomolecular medicine specialist. The clinic premises are located a short distance from the original pharmacy and profit generated from the pharmacy has provided the finance necessary to build up the clinic business.

Recently the pharmacist established a compounding pharmacy service in the clinic. The original pharmacy had insufficient space for this service, but more importantly, the development of a customised medication service was seen to be better aligned with the clinic’s customer base and strategy. The pharmacist applied for a non-NHS approval number and employs a full-time compounding pharmacist. The compounding business is showing strong growth and is well integrated with the clinic’s operations.

The clinic pharmacy is of smaller size (100 sqm) and employs seven staff including a naturopath, the compounding pharmacist and front of shop staff.

Being a non-NHS pharmacy, most of this pharmacy’s business is the sale of over-the-counter herbal/nutritional supplements, with compounded private prescriptions representing 30-40% percent of the total turnover. The pharmacy dispenses no PBS medications.
Customer Demographics

The pharmacy is located in the main shopping street of a suburb three kilometres from the CBD. The average age in the area (36) is slightly above the state average age (35). There are fewer people in the household (2.3) than the state average. This is a low to medium income area with household incomes of $600-699 compared to $800-999 in the state. Weekly rents are lower which may indicate that households are less likely to be the young employed and more likely to be aged retirees. There is a relatively high unemployment rate (11.1%) compared to the state and Australia (7.4%).

According to the pharmacist, 80% of the customer base is from the city and nearby rural areas, a population of some 300,000. The remaining 20% come from other parts of Australia, attracted by referrals from doctors working in the integrated medicine area and by word of mouth from satisfied customers. The area is growing (2%) more slowly than the state (5%). The state has similar age distribution and growth to the rest of Australia (growth is 6%). In this area growth is mainly in the 40-59 age group, unlike the state trend of rapidly increasing over 60 year olds. However the nature of the clinic side of the business makes the local area characteristics of less importance than for many traditional pharmacies.

Pharmacy Strategy

The strategy being pursued is to integrate a strong holistic and complementary clinical practice with traditional pharmacy. The strategy has a specific appeal to customers with a strong interest in preventative health and complementary medicine practices and products. Accordingly, a large proportion of the customers seen by the pharmacy and the clinic express their dissatisfaction with conventional medicine practitioners and traditional pharmaceutical treatments. The majority are seeking a preventative approach to managing their health based on a combination of lifestyle change and natural health products/supplements.

Customers are most often referred to the clinic when their medical conditions have not responded to conventional treatments. According to the pharmacist, the clinic/pharmacy sees a range of conditions from chronic skin disorders through to more debilitating diseases such as Lupus (SLE), arthritis, Chronic Fatigue Syndrome (CFS) and cancer. While it is slowly changing, there is a female bias in the customer base and that is reflected in a core area of specialisation of women’s health and hormone balancing treatments.

An important feature of this strategy is the unique clinic structure in which the pharmacy operates. This creates a team-based, co-operative approach and the ability to offer customers different treatment options. The pharmacist is qualified to do naturopath consultations but prefers to work "on the floor" treating "walk-in" conditions that can be typically handled in a short ten to twenty minute consultation. Based on this initial (free) consultation, a judgement is made to either treat the patient then and there or alternatively, to refer the customer to one of the other practitioners in the clinic. If the decision is made to treat, the pharmacist will sometimes

(Continued on page 3)
Pharmacy Strategy (cont)

(Continued from page 2)

make up a herbal mixture while the patient waits or if it is more complicated, the patient will be asked to return the following day.

According to the pharmacist, the pharmacy has had substantial success treating a range of difficult conditions and this has resulted in the pharmacy developing a reputation for excellence in the complementary therapy area that extends well beyond the immediate locality of the pharmacy. The customers are a combination of walk-in and “regulars” with the latter accounting for 60% of the business. These customers come in to the pharmacy once a month on average and have developed long-standing professional relationships with the pharmacist.

While the driving force for the development of the clinic and pharmacy was a keen desire to provide an alternative model of preventative health care, the pharmacist acknowledges that it also provides a business that is entirely non-PBS dependent. If in the future PBS margins are reduced, this business will be largely unaffected.

Being a non-NHS pharmacy meant that there were no legislative barriers involved in setting up in close proximity to the pharmacist’s other business and a number of other pharmacies in the street.

There is another compounding pharmacy 10 kilometres away and a number of other local pharmacies doing a small amount of compounding. The pharmacist considers their unique combination of products and services, high level of training and specialised knowledge provides a combination that is difficult for competitors to imitate.

Pharmacy Processes and Systems

KEY ROLES
The managing partner is the key driver of the integrated pharmacy clinic’s vision and strategy and is involved in all operations of the business from buying to sales. The part-time health care practitioners in the clinic have a collaborative relationship with the pharmacy staff but are not involved in the day to day management of the pharmacy.

PROFESSIONAL RELATIONSHIPS AND TEAMWORK
The health care practitioners in the clinic have regular, informal meetings to share treatment ideas and to discuss issues/problems with specific patients. The GPs, who work on a part-time basis in the clinic, consult regularly with the managing partner and order customised herbal tonics from the pharmacy.

The pharmacy also has developed relationships with health care practitioners in the greater city area including a number of GPs, two veterinarians and a dentist. An important role of the pharmacy is to educate prescribers about the benefits of compounding and bio-identical hormone treatments. In a previous career role the managing partner worked as a pharmaceutical sales representative and continues to receive referrals from some of these doctors.

TECHNOLOGY
The pharmacy has access to two electronic information resources used for patient counselling and research - an information kiosk (Healthpoint) and a CD-ROM-based database of natural health, herbs, and nutrition (Hyperhealth 2004). There is also a website under development.

“Mature onset diabetes is reversible with proper supplements ...I have had some patients come off medication and beautifully controlled”
Product & Service Offering

The pharmacy provides a range of complementary products and services customised to each patient’s individual condition including:

- Practitioner-only complementary medicines (approx. 20% of front of shop sales)
- Liquid herbal medications (approx. 25% of front of shop sales)
- Over-the-counter vitamins, herbals and nutritional supplements (55% of front of shop sales)

Customised compounded medications including hormone creams, capsules, troches, pain relief medications (creams and lollipops), veterinary products, local anaesthetic preparations for dentists, anti-ageing creams. These private prescriptions account for 30-40% of the total turnover of the business.

The compounding pharmacy service is proactively marketed to integrative medicine practices in an extended geographic area and the pharmacy has a mail order service delivering these customised, compounded medications to other parts of the country.

The clinic has a weight loss program that is run by the orthomolecular medicine specialist. While the managing partner has knowledge in this area, the weight loss area is regarded as being more complex involving hormone and thyroid balancing, blood type, as well as lifestyle and dietary management. These areas are considered to be the orthomolecular medicine specialist’s expertise and these patients are generally referred on this basis. (Orthomolecular medicine describes the practice of preventing and treating disease by providing the body with optimal amounts of substances which are natural to the body such as safe nutrients, enzymes and hormones). The clinic has had considerable success with a weight loss program and, in this area too, treats customers from an extended catchment area.

New Products & Services & the Implementation of Change

The pharmacy is still in a growth phase and this looks set to continue driven by the pharmacy’s strongly differentiated product and service offering and a rising consumer interest in complementary products and therapies.

Two future areas of development for the pharmacy are anti-ageing treatments and diabetes management. According to the managing partner, mature onset diabetes can be successfully controlled with a combination of lifestyle change and supplements and the pharmacy claims some success getting patients off their diabetes medication with the correct program.

Potential Implications for Change Management

- Separate custom designed premises can facilitate the creation of a distinctive pharmacy culture
- Deep specialisation and clear focus can substantially extend the potential catchment area from which the pharmacy draws its customers making it less dependent on local demographics
- Creating a culture of innovation within pharmacy builds capability for future effective change management

Key Learnings from this Case Study

- A clinic setting where complementary products and health care practitioners are separated from traditional pharmacy functions provides a powerful way of segmenting customers.
- Combining compounding pharmacy with high end, practitioner-only complementary medicine in a clinical setting is a modern version of apothecary from a previous era.
- Innovative pharmacy requires pharmacists with specialised knowledge and skills who are motivated by a “passion” for what they do.
- Pharmacy based businesses that are not dependent on government funded PBS prescriptions can target high-margin products and services.
MULTI SPECIALTY CASE STUDIES
“multi-specialist aged care provider”
Case Study Sixteen

**Background Information**

This large pharmacy business, based in a regional town in northern Australia, specialises in aged care services. The pharmacy employs 70 staff and services a catchment area covering 130 kilometres. In addition to its conventional community pharmacy role, the pharmacy is contracted to supply medication services to several institutions including eight aged care facilities, a hostel for the mentally and physically impaired and palliative care accommodation. The pharmacy has a large dose administration aid operation associated with these institutions and it is also contracted to provide residential medication management reviews as a packaged service. As well, the pharmacy supplies home health care equipment and oxygen for some contracts.

The pharmacy competes with four other pharmacies in the town. Major supermarkets in the local shopping centre also offer competition for front of shop products. While the conventional pharmacy business is competitive, there is no price discounting in the five pharmacies. The pharmacy is open seven days per week, 8am to 8pm, and dispenses an average of 350 prescriptions per day. The pharmacy employs a full-time naturopath and offers a large range of complementary medicines.

The pharmacy operates a fleet of five vans for the delivery of medications, home health care equipment, oxygen and dose administration aid packs to the facilities serviced by the pharmacy.

The pharmacy is run as a partnership with two active and one semi-retired partners. One of the owners was open to new ideas and business-minded in the approach to the pharmacy and developed strategies to take advantage of the area’s demographics. The area has one of the fastest growing populations of older people and retirees in the country. The partners have continued their aged services strategy with the introduction of new services such as residential medication management reviews (RMMRs) and diabetes screening over the last two years.

**Customer Demographics**

The town is the centre of a large geographic area with a population of large numbers of pension and concession card holders (about 5% of the state’s over 60 year olds). The township has only 9% of the catchment area population. In the larger catchment area, there is a growing number of 40-59 year olds and the average income is higher than in the town. The pharmacy owner describes the main customer groups as the elderly, young families, young employed people and some unemployed people. The township and surrounds has a higher unemployment rate (13.4%) than the state average of 8%. Of the pharmacy’s “regular” customers, 80% are from the town, the remaining 20% are workers who come in from nearby areas during the week. Graph 1 shows that most of the population this pharmacy serves is over 40.

The coastal areas near the town have one of the fastest growing populations of retired people in Australia. This is confirmed by census data. The 20-39 year old age group is shrinking, which may be due to more work opportunities elsewhere. Family numbers remain about the same. Individual incomes in the township are low but in the surrounding area they are in line with the state average. Household incomes are low ($500-599 p.w.). The census data confirms a larger proportion of the population in this area is not in the labour force or unemployed. Of those who are working, the majority (approximately 40%) are labourers or trades people, less than 30% are professionals.
Pharmacy Strategy

The pharmacy has developed a number of products and services to deliver to their target group of the elderly and infirm. The services include dose administration aid packs, palliative care, oxygen supply, home health care equipment and medication reviews. Long-term contracts with aged care facilities ensure regular cash flow for the business and account for about 50% of turnover.

The pharmacy’s strategy creates logistic synergies. The fleet of five delivery vehicles is able to fulfil several supply functions in the one run. Having an integrated suite of products and services creates a sustainable competitive advantage for the pharmacy particularly when these contracts are due for renewal. Non-pharmacy competitors in the home health care business are unable to provide the additional pharmacy services. An existing contract at a facility gives the pharmacy an advantage and the ability to negotiate when bidding for additional services at the same facility.

To facilitate successful contract tenders, the partners offer some parts of the package of services at a loss; for example, not charging for dose administration aid packs. However, when competing for large volume contracts, the pharmacy ties the packing service to gaining the medication review business. Packaging their aged care products and services allows them to operate one service at a loss while the volume of business gained ensures the pharmacy is profitable overall.

A similar strategy has been employed in the pharmacy with the naturopath’s services. A consultation charge was discontinued leading to a greater volume of consultations and increased sales of complementary and herbal medicines. The profit from sales subsidises the consultation time.

To address the shortage of pharmacists in this area, the pharmacy supports continuing education for students and current pharmacy staff. Courses are often partially reimbursed by the pharmacy and staff members are awarded a cash bonus on successful completion of the course. The pharmacy has also agreed to fund the education of a pharmacy student from the age of 14 till completion of the pharmacy degree in return for two years post-university employment.

Pharmacy Processes and Systems

<table>
<thead>
<tr>
<th>ORGANISATIONAL STRUCTURE</th>
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<tbody>
<tr>
<td>The pharmacy employs a team-based structure to support their business operations and has six teams who meet weekly to discuss issues and solve problems. Each team has a leader who reports to the partners on a regular basis. The teams operate in the following areas:</td>
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<tr>
<td><strong>Dispensary</strong> (pharmacists and dispensary technicians)</td>
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<tr>
<td><strong>Front of shop</strong></td>
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<tr>
<td><strong>Delivery</strong></td>
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<td><strong>Home health care</strong></td>
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<td><strong>After hours service</strong></td>
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<tr>
<td><strong>Administration</strong></td>
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<tr>
<td>Pharmacy staff are allocated to teams based on individual capabilities and skills. Effort is made to match each staff member's skills to their role and this has resulted in qualified pharmacy support staff with specialised training working in appropriately designated areas.</td>
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<tr>
<td>Additionally, the pharmacy employs a quality manager and a business manager. The quality manager makes sure the business meets QCPP requirements, undertakes staff induction and staff reviews, supervises banner group promotions and liaises with the front of shop team. The business manager is the financial controller, responsible for profit and loss statements and all reporting to the accountant. Both managers report directly to the partners.</td>
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TEAMWORK

The naturopath and the pharmacists work closely together during the day. They deliver regular community talks, such as the use of conventional and complementary medicines in the management of arthritis. A naturopath on staff is seen to be useful particularly for identifying interactions between herbal and traditional medications.

TECHNOLOGY

The pharmacy is technologically up-to-date. Each of the computers in the pharmacy has broadband access and email. The staff use computers to access training modules to further their education or use the Intranet system to communicate with each other.
Product & Service Offering

The product and service offering reflects the pharmacy's focus on aged care. The pharmacy provides the following services to the community:

- Traditional dispensary and front of shop merchandise
- Home health care services (an extensive range in premises next to the pharmacy)
- Palliative care services: provided through an alliance with community nursing organisations
- Specialist products
- Dose administration aid
- Equipment for sleep apnoea.

The pharmacy holds several contracts to supply these services including a contract with the Department of Veterans Affairs to supply home health care equipment to veterans in the area and contracts with aged care facilities for the supply of dose administration aid packs and medication reviews. The pharmacy makes up around 800 packs per week. Medication reviews are done annually for these same 800 patients.

New Products & Services & the Implementation of Change

Aged care, home health care equipment and diabetes are major focuses for the future. The core aged care services have been available for some time, however, the RMMR business has expanded over the last two years. Initially this growth was driven by one of the pharmacy owners who were motivated by professional satisfaction.

The owner believes the business is in a consolidation phase and they will stick to their core business in health-related and aged care services. The owner has identified a potential opportunity in home modifications, as an extension of their home health care service. The pharmacy has a builder on staff for this type of work, which involves installing grab rails and other equipment in the home.

HOME MEDICINE REVIEWS (HMRs)

The pharmacy undertakes a small number of HMRs. However growth in this area is slow because the area does not have an MMR facilitator so there is minimal promotion to the local GPs. The pharmacy also has problems employing skilled pharmacists in this area. There is one accredited pharmacist contracted to do the 800 residential medication management reviews but that pharmacist is unable to take on HMRs. The two operating partners have no time to conduct HMRs. However, while GPs in the area have been positive about HMRs, this is no longer the focus of the pharmacy.

DIABETES SCREENING

The pharmacy has recently introduced diabetes screening. Diabetes screening days promote the pharmacy’s expertise in the area but do not make money directly. This pharmacy is the only agent for Diabetes Australia in the area which is helpful in terms of the ancillary business of prescriptions and equipment. Diabetes is cited as a big focus for the future, and the partner is keen to gain officially recognised qualifications through Sydney University to compete on equal ground with the Diabetes Educators in the area.

The owner believes a potential barrier in this area may be local diabetes educators as they feel that pharmacists are not “qualified” in this area and are “treading on their turf”.

Potential Implications for Change Management

- As prescription sales become a lesser part of the successful pharmacy business, the owners must have interests in areas of broader health care needs. There must be time for the owners to pursue further qualifications or skills.
- As a large pharmacy grows and adds services, the business becomes more complex. There will be a point where management time is stretched and is less effective. This can lead to financial drains from error or reduced service in some areas which could be high health risk areas requiring effective staff advice. Management and team structures need to support ns link into the business
- There are no benchmarks yet established to identify the volumes required of a particular type of service before it becomes profitable. Nor which other related services should be introduced to improve the profitability of a package of services.

“We’ve really promoted this business as something more than just a community pharmacy. We look at anything that is health-related and we have made a push to get into that area.”
The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study’s data is compared to the Australian average which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and MediCali Capital data bases and is considered to provide an unbiased comparison or “benchmark.”

**Financial Information**

OVERVIEW

This is a large regionally located pharmacy is located in a 20 to 50 shop environment. It is a high turnover, extended hours business, achieving strong gross margins. It has very high prescription volumes but these still represent less than 60% of turnover.

With Sales per square metre of $24,903 and Contribution per square metre of $5,082 it is in the top 20% on both of these measures and is the highest performing business in the Sample. The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

**FINANCIAL PERFORMANCE**

This is the highest scoring pharmacy in the Case Study Sample in terms of financial performance, with a score of 211.7. This is more than double the Sample Index (100) and well over triple the Australian average. Its score reflects the high turnover and large prescription volume for this pharmacy. While Sales growth is low, this is thought to be consistent with the high level of turnover already being achieved.

The score indicates that this is a very successful business compared to the sample based on the simplified measures used and demonstrates that scale can be used effectively in community pharmacy.

**COST STRUCTURE**

With a score of 94.8, this pharmacy’s cost index is lower than both the Sample and the Australian average. In this case this results from the pharmacy achieving relatively low Cost of Goods Sold and low salaries and wages per staff hour. This score is being achieved when rent levels are at the upper end of the rent & outgoings per sq. mt. As a group member with high turnover this pharmacy has significant buying power to assist with its cost management and control.

**RISK**

As a consequence of its size and operating scale, this pharmacy scores an overall risk score of 147.2. For the measures of risk used it has a high business risk and even higher operating risk, with these together making up the total score. This outcome is the combined impact of being a large operator with extended trading hours and staff hours and handling approximately 350 prescriptions per day. While this is a manageable task, for analysis purposes it is an extreme performer, therefore inferring higher risk.

**INDICATIVE VALUE**

This business is a solid performer, showing an indicative value on the measure used of 107.6, which is above the Sample average but below the Australian average of 133.6. Because of the measures used which link contribution to turnover, and since this is a large turnover pharmacy, the score is still supportive of a successful outcome for this Multi Specialty business.

**Key Learnings from this Case Study**

- Providing multiple products and services to a single target market (in this case aged in residential care) can be a profitable strategy as it creates logistic synergies and thereby minimises costs (the same fleet of trucks can deliver oxygen, home health care equipment and dose administration aid packs).
- Prescription sales can be a minor part of the sales for pharmacy of the future, even as pharmacies cater more to community health needs.
- This strategy of multiple services for a single target group creates powerful alliances providing the basis for a sustainable competitive advantage.
- Innovative pharmacies are redefining our understanding of what a community pharmacy can be. Expansion into health related services can include home renovations and further professional health care qualifications.
“the clinical pharmacy”
Case Study Seventeen

By request of the participating pharmacist this case study has not been made available to the public for privacy reasons.

Background Information

Customer Demographics
1 The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis.

NB: Each case study’s data is compared to the Australian average which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or “benchmark”

2 Financial Performance: The financial performance score is based on a model that uses turnover and prescription sales as key variables.

3 Cost Structure: The cost index is a composite of Cost of Goods Sold, Salaries and Rent as a percentage of turnover.

4 Risk: Risk comprises Business and Operating risk. Business risk takes account of Prescription Numbers, Prescription Percent (of turnover), Sales Growth and Sales Variability (an inverse relationship); Operating risk takes account of Prescription Numbers, Size of premises, Staff Hours and Trading hours.

5 Indicative Value: The expected business value assuming normal operating ratio, given the measured contribution margin expressed as a percentage of Turnover.
“young and hip inner city pharmacy”
Case Study Eighteen

Background Information

This pharmacy is located in a small shopping centre in the inner city area of a major Australian city. The pharmacy is part of a large banner group and has been operating for two years. The pharmacy is of average size and is managed by two young pharmacists on behalf of the owner who owns two other pharmacies in the same city. The two managers are given autonomy to direct the future of the business by taking on different projects, for example, planning and introducing new services in the pharmacy.

This is the only pharmacy in a small, inner-city, community shopping centre with the nearest competitor approximately half a kilometre away. The pharmacy fills 100+ scripts a day giving the pharmacists time to provide counselling on prescriptions and over-the-counter medicines. The pharmacy is also the only provider of beauty salon services and complementary therapies in the area. This allows them to market the business as a convenient, local centre for health and beauty products and services.

Customer Demographics

The pharmacy offers a number of professional services to its relatively young, up-market clientele including naturopath consultations, a beauty salon with a range of beauty services and products, a lactation consultant and a range of advice-driven products in the areas of sports nutrition and weight loss. The pharmacy actively markets these services.

Being centrally located the pharmacy also attracts city workers and overseas tourists. The pharmacy’s customers are a mixture of regular and passing trade, including a large number of overseas tourists. Overall, about half of the pharmacy’s customers are regulars.

According to the pharmacist in charge, the pharmacy has a large female customer base mainly due to the services it offers, in particular, the beauty salon and the naturopath. Approximately 90% of the beauty salon customers and 70% of the naturopath’s customers are female, aged between 25 and 50 years. Furthermore there is some crossover in these areas with approximately 20% of the beauty salon customers also consulting the naturopath. The pharmacy also attracts a young male clientele for its recommendation and sale of a range of sports supplements.

Besides the small group of elderly pensioners from the local area, the majority of the pharmacy’s clientele are relatively young, well educated, working professionals with an interest in proactively managing their health and wellbeing.

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Pharmacy Strategy

The core features of this pharmacy’s strategy are a convenient location and the provision of a range of specialised health and beauty services designed to appeal to its younger, affluent customer base. High quality service, rather than price competition, is appealing to customers who are interested in proactively managing their health and wellbeing. This pharmacy’s regular customers are quite demanding but on the positive side they are also prepared to try “new things”. In this way the pharmacy has a “ready made” audience for new products and services and is able to promote them in-store and on signage outside the pharmacy at low cost. The pharmacy participates in the banner group’s regular promotions. These bring with it the advantage of being affiliated with an established brand name and a loyalty program which encourages customers to return to the store. The administrative and marketing support that comes from being part of the group is an additional benefit but does not provide for the promotion of the pharmacy’s specific services such as the naturopath and beauty salon.

Pharmacy Processes and Systems

KEY ROLES

The pharmacy is run by two pharmacists – a pharmacy manager who has overall responsibility for the pharmacy and a pharmacist-in-charge. While these two roles overlap in the dispensary area, the pharmacy manager’s role also includes policy formulation, QCPP standards compliance, staff management, and financials. Both pharmacists oversee buying for the pharmacy, including the dispensary and front of shop areas. As the pharmacy is an extended-hours pharmacy, they employ four locum pharmacists to assist by working in the evenings and on weekends. This team is supported by a full time pre-registered pharmacist, two full-time and some part-time pharmacy assistants, full-time naturopath, beautician and a part-time lactation consultant.

REPORTING

The pharmacy manager is responsible for reporting results to the pharmacy owner. Both managers review the sales results via the internal point of sale system on a monthly basis to evaluate growth areas and those that require attention within the pharmacy. Business growth and maintaining profitability are seen as a shared responsibility between the two pharmacists.

TEAMWORK AND TRAINING

There is a very close working relationship between the pharmacists and the pharmacy’s naturopath. The pharmacists are very active in referring potential patients to the naturopath who, in turn, is very aware of the possibility of interactions with traditional medications and refers patients back to the pharmacist as necessary. The naturopath is regarded as the in-house “expert” on the large range of complementary products available in the pharmacy. This knowledge is passed on to customers and also to the pharmacists and the front of shop staff. The full-time staff are also educated about the sports nutrition products which are another growth area for the pharmacy.

PROFESSIONAL RELATIONSHIPS

While there is no medical practice in the immediate shopping centre, the pharmacists are in constant communication with the local doctors to make appointments for pharmacy customers when necessary. Importantly, this pharmacy often refers overseas tourists who come to the pharmacy because they are unsure of how to locate a doctor. Excellent working relationships with the local medical practitioners have been developed by acting as an important point of referral for patients. The pharmacy manager believes that this attention to their customer’s health encourages loyalty to the store. As the pharmacy has a large sports nutrition product range they run joint promotions with a local gym for this range of products. The pharmacists hope to develop this relationship further when implementing new pharmacy services that would benefit gym members.

TECHNOLOGY

The pharmacy is technologically up-to-date with broadband access available on all computers. It is quite common for customers in this pharmacy to present with information they have downloaded from the Internet and in this way the pharmacists are able to respond to these information requests quickly. The pharmacy is also equipped with a standard point of sale reporting system.
In addition to the traditional dispensary and front of shop operations, the pharmacy also provides the following services:

• Naturopath consultations and a broad range of complementary medicines.
• Beauty salon offering full range of services (facials, waxing, manicures etc)
• Lactation consultant available
• Advice driven specialist products e.g. sports nutrition range
• Dose administration aid packing (small number of patients)
• Weight loss program (recently commenced)

The beauty salon provides a full range of beauty services and is seen as a high growth area for the business. The pharmacy is in the process of expanding this service by creating extra capacity in the form of an additional salon room for a second beautician in the pharmacy.

The naturopath offers booked appointments for consultations at an hourly or half-hourly charge. The pharmacy has a private consulting room for these services. The room is also used by the pharmacists for counselling purposes when privacy is required. This is a large growth area for the pharmacy and management suggests that it would not be as lucrative if they did not charge for the consultations.

The naturopath’s detailed knowledge of the natural therapies and alternative medicines is used to drive sales and continue growth in this area.

New Products & Services & the Implementation of Change

The pharmacy managers are responsible for introducing new products and services in the pharmacy. This is viewed as an important part of their professional role particularly as it relates to the down-scheduling of prescription products.

The process of implementation of a new product or service usually begins with the identification of a customer need that is not being met. One recent example was the introduction of a lactation consultant. The pharmacy staff would identify potential customers who would benefit from this service and refer them to the consultant. The service is currently on trial. This involves the pharmacy actively advertising the service in-store and through direct-marketing methods and the pharmacy staff scheduling appointments for the consultant. The pharmacy then retains a percentage of the consultation fee.

The pharmacy has also recently implemented a weight loss program for customers. Professional education in this area is seen as an extension of the pharmacists’ core professional obligations now that weight loss drugs have been de-scheduled. This education process has involved the pharmacists gaining accreditation through the Australian College of Pharmacy Practice. Importantly, it is recognised that these customers require professional counselling and follow-up if the weight loss program is to be effective. The weight loss customers are currently being managed by the pharmacists but there are plans to involve the naturopath in the longer term management of these patients. A service fee for the program is not being considered at this stage. They plan to implement a program that caters for the weight loss needs of their customers and complement this program with any number of products on the market – from weight loss drugs to “low-carb” food options to alternative medicines – all of which are provided by the pharmacy.

The main priority is to promote a long term commitment to running the weight loss program by the pharmacist and a long term commitment to take part in it by the customer. This service will be advertised in store and also at the local gym to support this service.

Potential Implications for Change Management

• The focus on beauty products de-emphasises the professional pharmacy services that could promote the professional health care image.
• Diversifying the pharmacy’s products for a number of target markets could overstretch the resources and capabilities of the pharmacy and its staff.
The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study’s data is compared to the Australian average which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or “benchmark”. 

**Financial Information**

**OVERVIEW**

This is a below average sized neighbourhood pharmacy that is a member of a Banner Group. It is located in a small group of shops and is a business with a strong front of shop business mix reporting less than 60% prescription business and low prescription volumes. It achieves Sales per square metre of $7,889 for an average floor area pharmacy which places it in the lowest 20% of the Sample on this scale, and its Contribution per square metre of $457 also places it in the lowest 20% of pharmacies in the Sample. This can be explained by its relatively low turnover and high cost structure respectively. The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

**FINANCIAL PERFORMANCE**

The pharmacy’s financial performance score is 42.0 which is well down in the Sample ranking and is low against the Australian average. It is a business that has been operating for two years and is manager operated, with a broad product and service focus and this result may be reflecting the growth phase of this young business. The fact that it is an average sized location filling only approximately 100 prescriptions per day is impacting on this score.

**COST STRUCTURE**

This pharmacy scores a cost structure index of 112.1 and is above both the Sample and the Australian average. While the pharmacy reports comparatively low Cost of Goods Sold (reflecting its sales mix and membership of a Group), it incurs high salaries and wages per staff hour and high rent per sq. mt. The score suggests that the latter variables are a high percentage of turnover. Again this result needs to acknowledge the life stage of this business.

**RISK**

This is an average risk business when compared to the Sample and underperforms against the Australian average with a composite risk score of 99.7. The pharmacy records a much higher business risk than its operating risk with low prescription numbers, low proportion of prescriptions and high sales variability counteracting reasonable sales growth (10%).

**INDICATIVE VALUE**

This business has a low end indicative value of 36.7 using the definition used in this analysis. This is significantly below the Sample average and less than a third of the Australian average of 133.6. Its low level of contribution as a percentage of turnover is thought to be due to relatively high staff and location costs which are counteracting the strong gross margins that are being achieved.

**Key Learnings from this Case Study**

- A thorough understanding of target customers’ needs, wants and characteristics can provide a clear strategic direction for the introduction of new products and services
- Relationships with other health care professionals, not only GPs, can provide useful avenues for the promotion of additional, value-added services
- Pharmacy owners can aim to maintain growth and profitability without compromising their ability to provide valuable health and wellness services to the community
- A lower average daily script volume and adequate staffing levels allow the pharmacists to concentrate on providing a high level of medication counselling and customer service while also providing time to implement new services in the pharmacy
- De-scheduling of prescription products provides pharmacists with the opportunity to expand their professional role and increase their job satisfaction
“outsourced hospital pharmacy provider”
Case Study Nineteen

**Background Information**

This pharmacy is located in a small regional town in southern Australia. It is a department store-style pharmacy with a substantial front of shop business and a busy dispensary staffed by three salaried pharmacists. The pharmacy is part of a regional pharmacy group and is owned by a young pharmacist who also has another smaller pharmacy in the same town.

The case study pharmacy is the only extended-hours pharmacy in town opening from 8.30am to 9pm seven days a week and fills over 500 prescriptions a day. The pharmacy employs approximately fifty staff, including both part-time and casual workers.

The pharmacy caters to a large cross-section of the local community by combining a substantial front of shop offering with a number of professional pharmacy services such as dose administration aids, methadone service, medication reviews, and home health care. The pharmacy also provides an outsourced hospital pharmacy service to the town’s private hospital by providing inpatient, outpatient and chemotherapy services.

“The days of sort of putting stuff on the wall as open sellers are dead and buried”

The pharmacy owner also plays a centralised management role for the pharmacy group. This involves a time commitment of two days a week but the balance of time is still spent managing the two pharmacies. The owner is entrepreneurial and dynamic and constantly seeks new opportunities to expand the business. Key areas of opportunity for the future include the private hospital business and disease management services in areas such as diabetes and weight loss.

The pharmacy owner and staff work hard to cement professional relationships with other health care providers in their area in order to provide more specialised services and to further develop their offering to customers.

They endeavour to create ties within their extended health care community by being involved in expositions promoting health and fitness, banner group networking activities, referring patients within the local health care team, developing good working relationships with drug suppliers and becoming part of a private hospital health care team.
The owner has pursued an assertive strategy of diversification into new areas that will provide strong financial returns and help to minimise business risk, while at the same time enhancing the pharmacy's credentials in professional areas. A prominent example is the successful tender for the private hospital pharmacy business. However, the approach is evident across the entire business. Although this illustrates a rare and atypical model for pharmacy, the pharmacy owner's openness to new opportunities shows how moving from the traditional role of pharmacy can be viable. Diversification is said to add to the professional satisfaction of the pharmacists involved in providing the new services and also allows relationships to be strengthened with the providers at the private hospital. This service has been flagged as a growth area despite the reduced margin to the pharmacy. According to the pharmacy owner, the higher volume of demand and the intangible flow on effect, make this model a feasible one.
Pharmacy Processes and Systems

KEY ROLES
The owner is the key driver for the business and credits the management training gained with the pharmacy group as a key factor. This provided the experience necessary to run such a large, successful pharmacy at a relatively young age. The business has a relatively flat management structure with the owner overseeing all operations. There is a Retail Manager who is responsible for the front of shop operations and for pharmacy level buying in the cosmetics and fragrance categories. Additionally, the pharmacy utilises a Duty Manager system whereby members of the front of shop team act as Duty Manager on a rotational fortnightly basis which provides them with valuable management experience.

REPORTING IN THE PHARMACY NETWORK
Substantial support is provided to the pharmacies in the group by the management head office. Support includes monthly financials (available two weeks after the end of the month), payroll and tax, human resource management (recruitment), technology, training and marketing support. The resources of head office can be accessed as necessary in each individual case and situation. The group training includes provision of continuing education in the form of continuing professional education workshops which are run several times a year for group members.

The owner believes that an owner-operated banner group is a more effective structure than a non-owner operated group because the pharmacy owners have a real incentive to comply with the group’s programs and operations. With the financial reporting and other support functions supplied by head office the owner has more time to focus on running the business and looking for new business opportunities.

TEAMWORK
The pharmacy holds semi-regular team meetings every six weeks and these are generally held after hours. The owner has overall responsibility for management of the over fifty staff members with day-to-day operations delegated to the Pharmacy Manager for the front of shop and to one of the pharmacists for the staff rosters.

Servicing the private hospital is a shared responsibility between all the pharmacists on staff including the owner. This provides them with enhanced professional development opportunities and brings variety into their working day.

PROFESSIONAL RELATIONSHIPS
The hospital pharmacy service has been in operation for one year and the pharmacists have developed excellent working relationships with the clinicians over this time. According to the owner, the clinicians compare the pharmacy service across the private and public hospital systems and many believe the outsourced pharmacy service model is more efficient and provides a better service to them.

The pharmacy also has a good established relationship with the town’s Drug and Alcohol Centre, an important relationship for the pharmacy’s methadone and subutex patients. Other important professional relationships are with the local incontinence team and other health care providers such as local gym and fitness experts.

The town’s health food store is directly opposite the pharmacy and there is also a good relationship established there. The pharmacy owner acknowledges that the health food store has some specialised products and knowledge that the pharmacy does not currently have. Referrals from one business to the other are relatively common.

TECHNOLOGY
The pharmacy has broadband capability on all computers which enables the staff to respond quickly to information requests from customers. There is also a large volume of email between the pharmacists and the private hospital staff. The owner is currently considering installing a direct telephone line between the private hospital and the pharmacy as an additional service and to lower costs for the hospital.

The management group is in the process of evaluating a new reporting system which will integrate reporting for the point of sale and dispensary systems. This system will be deployed across all the group’s pharmacies to provide enhanced reporting functionality and better efficiencies for the group. The pharmacy group also makes extensive use of telephone conferencing for meetings.
Product and Service Offerings

The pharmacy provides the following products & services to the community:

- Traditional dispensary and front of shop merchandise
- Large range of cosmetics and fragrances
- Home health care products (surgical equipment for hire e.g., crutches, wheelchairs)
- Diabetes Australia agent
- Prescription service for two nursing homes
- Methadone and Subutex service

The pharmacy provides a complete service for the private hospital which involves close daily contact between the pharmacists and the hospital staff as well as hospital visits two to three times per week. The pharmacy acts as a middle agent for the chemotherapy products by liaising with the clinicians and then ordering supplies through drug manufacturers. This function often involves the pharmacists researching the appropriate medication/dose.

Gaining the private hospital contract was attractive for a number of reasons. There was a financial incentive; the opportunity to build close relationships with the specialists in the area; and additional professional stimulation and challenge for the pharmacists in the business. However diversifying into the hospital supply area made good business sense to this owner. Diversification of risk was a key driver for the decision.

New services are in the planning stages for the pharmacy and the owner is currently reviewing the complementary product and the weight loss categories. Taking a disease management approach means setting up a dedicated section in the pharmacy and providing some accredited training for the pharmacy staff. This was the approach taken with diabetes. Training was provided and regular screening days in the pharmacy are being run in conjunction with other professional bodies.

A similar approach will be taken for the weight loss area. The pharmacy owner believes that this fits logically into the future direction of the pharmacy and presents a viable financial opportunity. Initially the training of pharmacists and the pharmacy staff will be increased and enhanced through enrolment in an accredited program and the pharmacy will provide advice about weight loss options available. If, in the future, employing a specialist in this area is justified, they will pursue this avenue to expand and provide a better service to the community.

Potential Implications for Change Management

- Experience in introducing new services builds an ongoing capability for managing further change and further extending the range of services offered
- Collaborative relationships with other health care providers facilitates the introduction of new services
- Systematic business analysis of new opportunities at the planning stage contributes to successful innovation and change management

Key Learnings

- Innovative pharmacists do not have a traditional view of community pharmacy. Their view of their business is not static but constantly changing as new opportunities arise in their external environment
- Diversifying into new areas can reduce business risk while at the same time providing enhanced professional development opportunities for pharmacy staff
- Developing good relationships with health care professionals in the local community is important for both financial returns and professional satisfaction
“pharmacy as a healing centre”
Case Study Twenty

Background Information

This independent pharmacy is located in a small coastal town in Australia. It is a busy pharmacy servicing a large cross-section of the rural community. The pharmacy provides a number of professional services including dose administration aids, medication reviews, wound care, travel health advice, home health care products, and sleep apnoea service. The pharmacy also has an established business for aged care facilities.

The pharmacy’s major customers are a mixture of elderly pensioners and young families. Due to the pharmacy’s expertise in the areas of wound care and sleep apnoea, the pharmacy receives referrals from specialists in other parts of the state.

Some customers, therefore, travel much further distances to access the pharmacy’s services.

The pharmacy owner had been a partner in the pharmacy for 16 years before becoming the sole proprietor of the business four years ago. During this time the owner has developed strong ties in the local community. The pharmacy has been renovated twice to increase the total floor space and to provide separate counselling areas. The pharmacy staff is highly trained and experienced, they work together as a team to address the needs of their customers.

The use of Information Technology in the pharmacy is integral to the provision of services. The pharmacy developed a customised software management system to determine when aged care residents’ medications need renewing so medication is available before it is needed. The Internet is also used as an invaluable source of information for travel health consultations (see Product and Service Offering).

Customer Demographics

The pharmacy is located in a small town with a population of 10,000 residents. The large proportion of empty nesters & retirees in this area is indicated by a comparatively larger proportion of couples without children, the high proportion of the population not in the labour force and a higher average age (38 against the state average 36). There is a high unemployment rate (12%) compared to the state and Australia (7.4%). The product/service offering of this pharmacy appears to be catering to the area’s demographic mix.

Graph 1 shows that the area is growing (16%) more quickly than the state (-1%) mostly due to the under 19 year olds and the over 40 year olds.

The catchment area for the pharmacy includes the town and surrounding areas for a distance of approximately 30 kilometres.
Pharmacy Strategy

The guiding philosophy underpinning this pharmacy's business strategy is that a realistic fee must be charged for value-added services provided by pharmacy. Community pharmacy should not accept operating at a loss as a result of service provision. In keeping with this strategy, the owner charges a professional service fee in a number of specialty practice areas. The pharmacy has developed these specialty areas as the core competencies of the business.

As a result of this philosophy the pharmacy has recently lost the dose administration aid service component of an aged care facility contract to a competitor who is providing the service at a lower cost. Despite pressure from outside sources, the owner has remained focused on the need to be appropriately reimbursed for service provision. The owner sees the area of Home Medicine Reviews (HMRs) as having similar problems. Although the service is seen as a positive development for community pharmacy and as worthwhile to the community, the pharmacist has not focused on implementation because of the lack of remuneration. At the moment developing the HMR business does not fit with the strategic direction of the pharmacy but the service is being considered for the future.

To maintain the standard of service that the owner expects in the pharmacy, pharmacy assistants often provide some of the prescription counselling. Although the owner acknowledges that this is not ideal, it is seen as the only feasible solution to the lack of pharmacists in the area.

This pharmacy was previously part of a large, Australia-wide banner group but it was found that they were "undermining [the owner's] professionalism". The pharmacy is now run as an independent store to maintain its focused strategic direction.

Pharmacy Processes and Systems

KEY ROLES

As the sole pharmacist in the business, the owner is actively involved in all aspects of the pharmacy. The owner relies heavily on highly trained senior pharmacy staff to support the dispensary and professional services operations. Two staff members are qualified dispensary assistants, with others trained to provide the sleep apnoea fittings and service. The pharmacy also employs a part-time nurse to prepare the dose administration aid packs.

Given the lack of additional pharmacists, the heavy prescription volume and the specialty practice areas, the owner relies on a highly trained team and excellent communications to deliver the services offered at this pharmacy.

PROFESSIONAL RELATIONSHIPS

As a long time resident of this small rural community and with an established reputation, the owner is well known to the town's medical community on both a professional and social level.

This owner has been involved in a small number of case conferences with local GPs. The owner has made it a policy that the GPs need to request an HMR before a case conference. In the owner's view, pharmacists make a significant contribution to the case conference process. However they are not always recognised as a core part of the health care team.

The owner also has a good professional relationship with the other pharmacies in the town. Due to the shortage of pharmacists, three of the pharmacies operate a roster system, each taking a turn to open on the weekend. This ensures the community has access to a pharmacist on weekends while providing time off for the business owners.

The pharmacy owner also maintains a professional relationship with the community by speaking at local gatherings on health-related issues.

New Products & Services & the Implementation of Change

The implementation of additional products and services is hampered by the lack of available pharmacists in the area. This is the most significant barrier to further growth for this pharmacy.

The owner sees asthma management, weight management and HMRs as potential areas for future development. There appears to be significant demand in the community for these services.

As with the other specialty practices offered at this pharmacy, the owner plans to charge a professional fee and undergo the required training for asthma and weight management.

The local MMR facilitator has recently promoted HMRs to the town's doctors. This was well received and indicates the potential for this service. The owner offers the service through an outsourced, accredited pharmacist. There have only been a very limited number undertaken at this time. Due to the owner's time constraints, this service is not being actively pursued despite its potential. By linking HMRs to case conferencing (see Pharmacy Processes and Systems above), the owner is developing a demand for this service as well as promoting the role of pharmacists as an influential part of the health care team.

Overall this pharmacist believes that there is a lack of motivation in the pharmacy profession to develop new services. Pharmacists need to develop their professional skills in specialty practice areas that would then allow them to charge a fee.
Multi Specialty

Product & Service Offering

The pharmacy offers a range of products and specialised health care services to a broad section of the community, with core specialty practice areas and chargeable professional services.

- Aged care facility medication service (92 beds)
- Hire and sale of nebulisers, vapoiser, crutches, wheel chairs, walking frames and other home health aids
- Blood pressure monitoring
- Wound care specialist advice and treatment
- Travel health advice service
- House dust mite treatments
- Asthma care products and advice
- Smoking cessation counselling and products
- Sleep apnoea products and fittings
- Sports medicine and arthritis supports
- Dose administration aid service
- Community education
- Home Medicine Reviews (HMRs)
- Touch screen kiosk and computerised health information and health brochures

AGED CARE FACILITY BUSINESS

For several years the pharmacy has held a contract to service a large aged care facility in the area. This contract involves the comprehensive management of the facility’s medication ordering and supply process. The owner visits the facility once a week to review the patients’ drug charts and to calculate drug usage.

To facilitate the process, the owner developed an innovative, computer-based medication management service that calculates and monitors each patient’s medication. When new prescriptions are required, the system automatically generates a list that is sent to the prescribing doctor. The system is highly efficient and provides considerable benefits to the nursing home, the doctors and the pharmacy.

The feedback loop to the doctors ensures prescription management is up to date. The pharmacy benefits from being the lead correspondent in the process, and it results in substantial cost efficiencies. According to the owner, the database system saves the business $10,000 a year.

TRAVEL HEALTH SERVICE

The owner has developed an innovative travel health advice service. Potential customers are identified by the pharmacy staff and advised of this service. The customer is asked to leave their travel details and a consultation with the pharmacist is booked.

The appointment system has two key advantages. Firstly, making an appointment builds a commitment from the customer, and secondly, it provides sufficient time for the pharmacist to research the latest travel vaccine requirements for each destination. At the consultation the pharmacist, using a proforma checklist, gives the appropriate medicines and medical precautions to take when visiting any country.

The owner has considered charging a fee for this professional service. However as a result of implementing this service, the average sale for these customers has increased substantially which covers the cost of providing this value-added service. In the future, the owner plans to build a relationship with the two larger travel agents in the town as a means of further expanding this part of the business.

SLEEP APNOEA

This pharmacy became accredited to sell and advise on sleep apnoea equipment when it was first marketed to pharmacies. Since then the service has grown steadily and the pharmacy currently does an average of 5 to 6 consultations per month.

Customers are initially assessed by a specialist at a sleep centre in one of the nearby towns and then provided with a list of sleep apnoea providers, including this pharmacy. An initial consultation is made and the customer comes in to be counselled and fitted with the sleep apnoea mask.

According to the owner, this initial consultation takes 30 to 40 minutes and requires both high-level technical skills (to fit the mask properly) and good interpersonal skills as these customers often have concerns about the lifestyle adjustments associated with the treatment. Initially, the customers are advised to hire the machine for eight weeks. If they are satisfied they return to purchase the machine. The pharmacy staff member follows up the customer every few days over the initial period to check progress and to sort out any issues they might be having with the equipment. A full written history on each customer is kept in the pharmacy.

In the past the owner conducted these consultations. As there is now only one pharmacist, two senior staff members have been trained to conduct the consultations. The owner is called in to the consultation if the staff member requires additional assistance. The owner believes the consultation fee charged is appropriate compensation for the time and skills associated with this professional service. Demand for this service is generated by the positive word of mouth the pharmacy receives from customers and by referrals from specialists working in the area.

WOUND CARE

The pharmacy has a well-developed wound care specialty practice with referrals received from doctors and pharmacists in other parts of the state. The owner treats a large range of patients, including those with acute and chronic wounds, and patients with difficult wounds that have failed to respond to treatment. The owner prefers to manage these patients as the treatment is often long-term requiring a high degree of skill and a management plan to treat successfully.

Overall, wound care is regarded as a very satisfying area in which pharmacists could make a significant contribution to the community. Lack of another trained pharmacist in the business requires the owner to develop care plans for some of the chronic wound care patients to cover holiday periods. The pharmacy charges a fee for the initial consultation and a weekly dressing fee.

Potential Implications for Change Management

- Trained staff can decrease the pharmacist’s workload and facilitate the introduction of new services where pharmacist time is limited
- Development of a set of clear training guidelines and supporting documents for pharmacy staff will facilitate the implementation of a new professional service in the pharmacy
- It is possible for a sole proprietor to implement professional services by using innovative workflow systems and effectively using other pharmacy staff. This does, however, impact on the number and range of services that can be provided
The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis. NB: Each case study’s data is compared to the Australian average which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or “benchmark.”

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2 Financial Performance: The financial performance score is based on a model that uses turnover and prescription sales as key variables.

3 Cost Structure: The cost index is a composite of Cost of Goods Sold, Salaries and Rent as a percentage of turnover.

4 Risk: Risk comprises Business and Operating risk. Business risk takes account of Prescription Numbers, Prescription Percent (of turnover), Sales Growth and Sales Variability (an inverse relationship); Operating risk takes account of Prescription Numbers, Size of premises, Staff Hours and Trading hours.

5 Indicative Value: The expected business value assuming normal operating ratio, given the measured contribution margin expressed as a percentage of Turnover.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

**FINANCIAL PERFORMANCE**

This pharmacy scores 110.6 for financial performance compared to the Sample Index (100) and is nearly double the Australian average of 63.0.

Its score is determined by reference to its strong turnover performance and large prescription volumes in excess of 65,000. It reports moderate Sales growth and is managing this performance in an average trading hour operation.

The score indicates that this is a successful business compared to the Sample and the average based on the simplified measures used.

**COST STRUCTURE**

This pharmacy scores 93.9, for its cost index which is lower than both the Sample and the Australian average.

In this case the pharmacy has an average level of Cost of Goods Sold despite its high dependence on prescriptions and moderates its salaries and wages costs by having only pharmacist involved in the business. It also pays low rent per sq. mt.

**RISK**

The overall risk score for the pharmacy of 88.1 is based on a higher business risk balanced by a lower operating risk. Taking into account the range of variables that make up this score this business can be described as having less risk than the Sample generally and more risk than the Australian average. The key drivers in this regard being the relationship between prescription numbers and weighting in turnover, moderate growth and average operating conditions.

**INDICATIVE VALUE**

This business is a solid performer on this score, with an indicative value based on the measures used, of 123.3, well above the Sample average but still below the Australian average of 133.6. The score, which measures contribution as defined for the analysis as a percentage of turnovers, can be taken as a measure of the relative success of the pharmacy’s profile as a Multi Specialty products and services provider.

**Key Learnings from this Case Study**

- It is feasible to charge a professional service fee in community pharmacy if pharmacists are appropriately trained and the service is highly valued by customers.
- Pharmacists need to choose a small number of areas in which to specialise. It is not always feasible to have high-level specialist knowledge in all areas, particularly where there are a limited number of pharmacists. Instead pharmacists should choose one or two key services and deliver them very well.
“the extended-hours pharmacy”
Case Study Twenty-One

Multi Specialty

Background Information

This independent pharmacy is located in an inner city suburb in a medium-sized Australian city. It is a large (over 240 square meters) extended-hours pharmacy on a busy main shopping street. The pharmacy employs over 60 staff including eight pharmacists, a dispensary assistant and several pharmacy students. The pharmacy is owned by a sole proprietor who also owns another smaller pharmacy in the same city. This busy pharmacy provides a number of professional services including blood pressure monitoring, home and residential care medication reviews and dose administration aids for a large aged care facility.

The pharmacy has a large specialty practice in the supply of methadone and other drugs of dependence and provides a daily service to approximately 120 patients across the two pharmacies. The owner has been providing this service since the program started in the late 1990s. The owner believes this professional service plays a vital role in integrating these customers into mainstream society. The owner is very committed to providing this service despite some negative aspects. The owner has a firm conviction that these customers are like any other patients on long-term medication. Personal reward and satisfaction come from the gratitude expressed by the twenty percent of patients who successfully finish the program.

The pharmacy has three pharmacists on duty at all times during business hours because of the scale of the professional services area. The pharmacists are rotated in the three core professional areas: general dispensary, aged care facility services or methadone program. There is also rotation between the two pharmacies providing variety and job stimulation for the pharmacist team.

A retail manager is responsible for the large front of shop business, including staff management, purchasing and category management. The focus of this pharmacy is on the provision of high levels of individual customer service with the convenience of extended hours. This focus is communicated in the pharmacy’s television advertising and by the staff members who concentrate on friendly, efficient service and advice.

Customer Demographics

The pharmacy is located in a suburb with an interesting mix of students, workers, young families and pensioners. Because of the its proximity to the CBD, the pharmacy has an extraordinary range of customers although numbers fluctuate over the day. The pharmacy has a good trade after hours due to the number of restaurants in the district.

The methadone customers use the pharmacy during the weekday mornings while older customers are more likely to come in the afternoon. At weekends the pharmacy has a mix of customers including tourists.

In socioeconomic terms, this is a middle income area with median weekly household income between $700-$799 (above the state average) but with an average individual median weekly income. The state has fewer professionals (37%) and high unemployment compared to the rest of Australia but attracts 50-59 year olds. This area has high growth in that age group. Since 2001 the state has attracted more people of retiree age.

In comparison to the state, this area has a large number of professional people (57%), few labourers or trades people, a better unemployment rate and some population growth. The area has fewer families with children, but many couples (27%) or single individuals (35%) and has a high proportion of 20-29 year olds. The growth of 50-59 year olds is outstripping any other age group by 6 times.

Graph 1: Area Population by Age Group for 2001
Pharmacy Strategy

The core of this pharmacy’s retailing strategy is based around friendly, professional service available every day of the year with extended hours. Long established in the area, the owner’s pharmacies are well-known in the city due to television advertising which positions them as a convenient after-hours destination for friendly health care advice and products.

There are number of other pharmacies, several supermarkets and a health food store in the area that expose the pharmacy to competitive pressure. There is no locally-based mail order or online pharmacy in the city. However, there are some other well-known pharmacies who compete on price in the area. The pharmacy owner does not compete on price but prefers to compete on service and from the convenience platform associated with extended trading hours. According to the owner, this strategy is yielding good results with strong growth reported in several key categories including cough and cold, pain relief and complementary medicines.

In the dispensary area, the owner has focused on developing a number of specialist services including the methadone/harm reduction service, dose administration aids and medication review services. The owner sees compensation to pharmacies as lacking in these service areas but the services are continued because of the positive impact they have on the wellbeing of the pharmacy’s customers. From the owner’s viewpoint pharmacies provide a much needed service in the community that needs to be adequately recognised and appropriately rewarded.

Pharmacy Processes and Systems

KEY ROLES
The owner oversees the operations of both pharmacies in the group, including the three core professional service areas. Operationally, each of these areas is managed by one of the three pharmacists on duty. The pharmacy also employs a graduate pharmacist and several pharmacy students who gain work experience in these areas. The owner employs accredited pharmacists to conduct the annual medication reviews which are carried out in the aged care facility. The owner is also responsible for the pharmacist roster.

There are two key support roles, the front of shop manager and the senior dispensary assistant, which are critical for the successful day-to-day operations of the two pharmacies. The front of shop manager has responsibility for the front of shop operations including staff management and staff roster purchasing, and category management. This manager has been in the business for two years and brings the benefits of a very strong non-pharmacy retailing background. The senior dispensary assistant is responsible for buying and managing the dispensary stock and the flow of operations in this area.

REPORTING IN THE PHARMACY
There is a fairly informal reporting structure with all staff ultimately reporting to the owner. However on a day-to-day basis, the front of shop staff report to the front of shop manager who divides her time across the two pharmacies.

There is a career progression plan for the front of shop staff and annual staff appraisals. Training is paid for and encouraged by management and particular attention has been paid to staff members who have been in the business for some time but who may have been overlooked. This strategy has had positive results through lower staff turnover.

TEAMWORK
Until recently, the pharmacy held regular monthly staff meetings. At these meetings the pharmaceutical companies were often invited to present their latest products. Additionally, the pharmacists conducted role plays on how to handle S3 and S2 drugs or presented information on other professional areas for the front of shop staff. However due to the large number of staff it has been increasingly difficult to conduct these meetings after hours and the pharmacy has decided to disseminate internal information with a monthly staff newsletter. This is currently in planning phase but the aim is to incorporate continuing educational material, management reviews, and staff news. The effectiveness of this communication strategy will be closely monitored by the front of shop manager.

Every three months the pharmacist team holds their own team meetings to discuss issues related to the core professional areas.

PROFESSIONAL RELATIONSHIPS
As the pharmacy is open 14 hours a day, seven days per week it receives referrals from other pharmacies in the area. The owner reported that other pharmacies in the area were promoting themselves as “not having a methadone service” to customers. This strategy was aimed at potential customers who may be deterred by the methadone customers. The owner, who is fully committed to the methadone service, saw this as an unfortunate consequence of providing the service, and has put in place strategies targeting groups that may be adversely affected by the methadone provision. For example, the pharmacy has developed positive relationships with a nearby private hospital maternity unit and receives referrals from the hospital for the hire of breast pumps to new mothers.

TECHNOLOGY
The pharmacy is technologically up-to-date with broadband Internet access available on two computers. The pharmacy also has an information kiosk (Health point) for customer and staff use. Pharmacy staff can print relevant information from this for customers. There is also a Good Health TV positioned above the dispensary.
Product & Service Offering

The pharmacy offers the following range of products and services to the local community:

- Traditional dispensary and front of shop merchandise
- Aged care facility service (500 beds)
- Dose administration aid service
- HMRs and RMMRs
- Pharmacy only and Pharmacist only products
- Blood pressure monitoring (no charge)
- Methadone, Subutex and other drugs of dependence service (120 patients across the two pharmacies in the group)
- Home health care equipment for hire such as breast pumps, wheelchairs, nebulisers and crutches
- Large range of skin care, cosmetics and fragrance
- Large range of gifts

The pharmacy receives a large number of after-hours requests for cough/cold and pain relief products. These categories are prominently displayed in the pharmacy and a large range of products is carried to cater to customers’ needs. The focus is on providing high-level service at a premium price and these categories are regarded by the owner as being the most profitable overall in the pharmacy.

In contrast, many of the services the pharmacy provides are considered as having low or even nil profit including the medication reviews, case conferencing and the blood pressure monitoring service. This is either because the pharmacy does not charge for the service (blood pressure monitoring, case conferencing) or the costs of performing the service outweighs the revenue from the service e.g. HMRs, RMMRs.

New Products & Services & the Implementation of Change

New products and services in the front of shop are driven by a category management approach. Categories and product lines that are performing well are expanded while underperforming lines are replaced.

The front of shop manager, together with the owner, has been responsible for the introduction of extensive category analysis and review over the last two years. This process has resulted in the expansion of performing categories such as cough and cold, and pain relief, and the subsequent reduction in shelf space for under-performing categories, e.g. baby care. This category has been in decline for some time which the pharmacist attributes to the methadone service deterring parents from visiting the pharmacies. In response to this, the pharmacy has decided not to stock the standard baby care lines such as nappies, wipes, etc., but instead to expand the medicinal baby care area with specific products such as a homeopathic range not routinely stocked in other pharmacies.

There is a clear distinction between the professional services area and the front of shop business in terms of future potential for this pharmacy. The latter is clearly seen to be the most profitable currently, with the owner reporting good growth prospects in pharmacy only products and complementary medicines. The pharmacy has previously employed a naturopath. After the naturopath left, the category continued to perform well and it was decided not to refill this position.

The professional service areas of medication reviews and dose administration aids are currently providing very low or nil profitability due to a combination of high cost of service provision and low remuneration. Additionally, the medication reviews often mean that the pharmacy receives less prescription revenue as a direct result of the review process. This factor is not compensated or accounted for in the current remuneration schedule. The owner would like to see the compensation schedule reflect the savings and benefits the services provide.

The ability to charge consumers for services such as blood pressure monitoring is limited in low income areas. However the owner believes that this should be part of the overall package of services the pharmacy provides to the community.

Potential Implications for Change Management

- There is a risk that pharmacy managers who are highly motivated to introduce services will do so but, when compensation is seen as inadequate, the service may be discontinued or maintained only at a low level
The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

**OVERVIEW**

This is a large independent pharmacy in a neighbourhood shopping precinct in a suburban location in a capital city. It is a high turnover business, in an area exceeding 240 sq. mt. and operating for 98 hours per week. As an extended hours business with a mix of prescription (approximately 65%) and non-prescription business it has strong gross margins. Its Sales per square metre of $12,728 place it close to the 40% point in the Sample and its Contribution per square metre of $2,157 places it above the median and at 57% of the Sample range.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

**FINANCIAL PERFORMANCE**

This pharmacy is a strong performer on this scale with a score of 127.7 compared to the Sample Index (100) and more than doubles the Australian average of 63.0. It has a higher than average turnover and prescription volumes exceeding 65,000. It is a moderate Sales growth business in an established market location with a high profile and targeted specialty practice such as methadone which will be impacting on the business’s financial performance ratios.

The score indicates that this is a successful business compared to the sample and the average based on the simplified measures used.

**COST STRUCTURE**

This pharmacy scores 98.9, for its cost index which places it in close proximity to both the Sample and the Australian average. In this case the pharmacy is doing better than average for Cost of Goods Sold given its large prescription volumes, and its staff costs in proportion to turnover and rent level are contributing to its neutral status on this index.

**RISK**

The overall risk score for the pharmacy of 117.3 is derived from an operating risk that is significantly greater than the business risk on the measures used. This risk score is much greater than the Australian average and results form the effect of all of the operating factors i.e. a large staff establishment, extended trading hours the size of the premises and the number of prescriptions dispensed.

**INDICATIVE VALUE**

This business performs well on this score, with an indicative value based on the measures used, of 118.5, well above the Sample average but still below the Australian average of 133.6. Strong financial performance, moderate cost structure compared to the Sample, but higher than average risk scores lead to this outcome.

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**Key Learnings from this Case Study**

- Professional service areas adopted are often driven by the owner’s own personal values, interests or skills
- Providing a professional service on a large scale inevitably requires a significant financial investment in terms of labour costs and specialty equipment
- Providing “difficult” professional services such as methadone/Subutex impacts the way the business is run, and may deter some other customers. Pharmacies could be better supported with strategies and techniques to meet these challenges
- Splitting the professional service and retailing areas of pharmacy recognises the core competencies of individuals and allows for the development of specialised roles in the pharmacy. This strategy can yield positive financial results as well as building teamwork and motivation among pharmacy staff
- Regular review and profitability analysis of particular product lines allows effective financial management of the pharmacy
- The decision on whether to charge for monitoring services such as blood pressure can be driven by the owner’s personal philosophy
pharmacies. The local area, however, has undergone significant change since the last Census was conducted with the pharmacists noting an influx of new residents and the opening of new businesses and other developments across the town. Its relatively close proximity to a major CBD has reportedly encouraged new residents to the area who take advantage of the rural lifestyle.

The pharmacy's main customer groups are a mixture of elderly pensioners and young families. The elderly customer group is reflected in the high volume of dose administration aids and HMRs the pharmacy does (see Product/Service Offering).

The pharmacy is located in a small rural town approximately 30 minutes by car from a large metropolitan city. It is owned by three partners, only one of whom works full-time in the business. The pharmacy is of average size, has 18 employees and fills approximately 300 prescriptions a day. It is currently a banner group member but is reconsidering this position. The pharmacy services the town and its surrounding areas, a population of between 6,000 and 10,000 residents. The pharmacy maintains a community presence by sponsorship of local sporting groups and supplying them a variety of sports-related products.

Beyond the core product/service offering, this pharmacy’s main areas of service to the community are medication reviews to aged care facilities, other health care institutions and a number of private patients, dose administration aids, community education programs and methadone. It also has close ties with the nearby university and is involved in university-sponsored pharmacy projects.

Its location in a rural community gives this pharmacy access to customers from a broad geographic area, as many of the nearby towns are not serviced by pharmacies. The local area, however, has undergone significant change since the last Census was conducted with the pharmacists noting an influx of new residents and the opening of new businesses and other developments across the town. Its relatively close proximity to a major CBD has reportedly encouraged new residents to the area who take advantage of the rural lifestyle.

The pharmacy’s main customer groups are a mixture of elderly pensioners and young families. The elderly customer group is reflected in the high volume of dose administration aids and HMRs the pharmacy does (see Product/Service Offering).

Customer Demographics

The area age distribution is consistent with the pharmacy’s customer base being a mix of elderly and young families, see Graph 1. There are slightly higher proportions of 19 year olds and over 60 year olds than in the state as a whole.

The area’s population overall has been shrinking and there is a departure of all age groups under 50 years of age, similar to the state trend, although the pharmacists have noted a change in this over the past year that would not be reflected in these statistics. Graph 2 illustrates this. The 50-59 and 60 and over age groups are growing more slowly in the area (6% and 6% respectively) than the state and much slower than for Australia as a whole (25% and 12% respectively).

In socioeconomic terms this is a low to middle income area with mean individual weekly income of $200-299 (compared with the state $300-399). The average age of the residents is increasing and is about the same as for the rest of the state (38). The aged population are most likely retirees, with 34% of the population.

Most of the workforce are labourers or tradespeople, yet there is also a very high unemployment rate (14% compared to the Australian average in 2001 of 7.4%). There is no increase in the number of families in the area as a whole.

Graph 1: Area Population by Age Group for 2001

Graph 2: State-wide vs Local Area Population Growth from 1996–2001
Pharmacy Strategy

The strategic focus of the partners in this pharmacy is to provide a challenging and supportive learning environment for the young pharmacists running the day-to-day operations of the business. The younger pharmacists bring with them new knowledge and skills that are used in the provision of professional services. The pharmacy owners also recognise the need for an ongoing commitment to learning in the pharmacy and encourage this in the workplace.

A formal pharmacy student traineeship program is an important part of the pharmacy’s strategy. It allows the owners to remain close to the cutting edge of pharmacy practice as well as providing them with an opportunity to plan for future workforce requirements. The students benefit by being able to gain valuable work experience within pharmacy while still at university and this process helps to smooth the transition from university during their registration year. The owners benefit from this through the constant source of available pharmacists to offset a lack of other pharmacists in the area.

Two partners are not involved in the day-to-day running of the business play a strategic role in the pharmacy. All three partners determine the direction and future of the pharmacy and serve as mentors to the young pharmacists employed in the business. Professional development is actively encouraged and paid for and the owners strive to provide a stimulating learning environment for the staff that extends beyond their university studies.

The pharmacy works with the state university on a number of projects and is interested in new initiatives. It provides a testing site for university projects and also helps them to understand the demand in their market for a variety of services (for examples see New Products and Services).

Competition in the area is fairly limited as there are only two pharmacies in the local. This pharmacy focuses on offering more professional services to differentiate itself within the community.

Pharmacy Processes and Systems

KEY ROLES

The three pharmacy partners each have a strategic role in the pharmacy. The onsite partner is responsible for the day-to-day operations of the business and is accredited for Home Medicine Reviews and Residential Medication Management Reviews. The off-site partners provide professional and operation support for the business via frequent visits and constant communication with the pharmacy staff. Collectively the partners seek to provide mentorship and professional development opportunities for the younger pharmacists, pharmacy students and the staff in the business.

There are always two pharmacists on site during the week and one on weekends. During this time one pharmacist, a managing partner, takes the opportunity to work on the administrative side of the business when possible. The use of two pharmacists also allows the pharmacists to focus on counselling patients and provide services such as dose administration aids, which can be too time consuming for a single pharmacist.

Of the 18 pharmacy staff employed there are three pharmacists, one pre-registration pharmacist, two full time pharmacy assistants, pharmacy students and a pool of casual employees. One of the full-time pharmacy assistants acts as the front of shop manager and is responsible for the ordering and the accounts for this area. The dispensary ordering is done by one of the salaried pharmacists.

Roles are clearly defined in this pharmacy and management believes that empowering people with assigned tasks will allow them to perform better. The partners also provide funds for the pharmacists to attend continuing professional education as part of their overall remuneration package. Bi-monthly staff meetings are used as an opportunity to teach the pharmacy staff new skills or train them in particular areas of pharmacy.

PROFESSIONAL RELATIONSHIPS

The pharmacy has good relationships with the doctors in the town’s three medical practices. Several of the doctors are interested in providing HMRs. However a significant barrier has been the shortage of doctors in the area and the resulting heavy workload faced by the incumbent doctors.

TECHNOLOGY

The pharmacy has seven networked computers and broadband Internet access on five of these. Email is used extensively to communicate with the off-site partners and with suppliers. The pharmacy is currently trialling the E-pothecary system developed by the Pharmacy Guild to streamline administrative tasks in the pharmacy.
New Products & Services & the Implementation of Change

Over the last 12 months one of the university initiated projects run from this pharmacy was for bone density screening. This program was run at no charge to the customers. This was very successful and screened over 200 people in the community. The student conducting the research sent follow-up letters to each customer’s GP to indicate whether they were candidates for osteoporosis prevention medication or not. The service was well received and provided valuable feedback to the local GPs.

This has spurred the pharmacy to offer the screening service on a continuing, for-fee basis. They are currently considering which external provider to use for this service. The pharmacy is well equipped to handle the new service. They have a separate counselling area that is located too far away to be of use to the pharmacists on an ad hoc basis during the day but ideal for accommodating this type of service. The pharmacist-in-charge believes that the lower socioeconomic status of the area will be a deciding factor in maintaining the service or not. If their customers are not willing to pay then the viability of the service will be undermined.

Another university study focused on testing individuals at risk of cardiovascular disease in the local community. This involved a series of tests which profiled the risk of an individual’s chance of having a coronary incident. Customer feedback to the pharmacists indicated that some customers, especially males encouraged by their partners, were more comfortable being tested at the pharmacy as opposed to going to their GP.

The main focus for the future is on the planned re-design of the pharmacy that will provide several benefits. A larger floor space will allow the pharmacy to stock a broader range of products as well as providing a dedicated counselling area for prescriptions, scheduled medicines and advice-driven products such as complementary medicines and weight loss treatments. The re-design will also solve some workflow issues and provide a more efficient dose administration aid operation. The partners are also considering extending the pharmacy opening hours to coincide with the new look of the pharmacy.

The pharmacy is currently operating under a national banner group but the partners have decided to abandon membership of the current banner group for a number of reasons. The banner group issued promotions for its products that have caused the owners to question the group’s ethical stance and the group has also been unable to supply a large range of its generic/house brand over the counter medicines for some time. Together with the lack of service, the partners no longer regard the banner group’s positioning as a logical fit for this pharmacy’s professional service positioning. At the time of interview a new brand positioning was currently being investigated.

Potential Implications for Change Management

- Creating a learning culture in pharmacy makes an important contribution to developing the skills needed to support a multi-specialty pharmacy
- Low socioeconomic environment does not necessarily inhibit testing of services and their acceptance but could then be discontinued due to the inability (rather than unwillingness) of customers to pay.
- The strategy of “loss leading” (having loss and profit making lines or services ending up with a total volume that is not regarded as a loss) could be further investigated by the Guild with a view to developing a financial template. This has also been successfully implemented in other pharmacies.
The financial analysis and comparisons for each case study is based on a Sample score of 100 for all the pharmacies used in the modelling. By using the Sample score as 100 and indexing the other measures to this we are able to compare all cases on a relative basis.

OVERVIEW
This is a small to medium size pharmacy in a rural town not far from a major city. It is a larger than average turnover business operating for normal hours and dealing with a mixed customer demographic from young families to pensioners in a business that has a high reliance on prescription volumes (greater than 79% of turnover). This business also provides prescription services to institutional facilities and a methadone program.

Its Sales per square metre place it near to the top 20% of the Sample and its Contribution per square metre puts it in the top 20% on this measure.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE
This pharmacy performs above the Sample Index (100) with a score of 110.6 and well above the Australian average of 63.0.

It has a higher than average turnover and prescription volumes exceeding 85,000. It is a moderate Sales growth business in an established location and it is the prescription volumes that are the key driver in this pharmacy.

The score indicates that this is a successful business compared to the sample and the average based on the simplified measures used.

COST STRUCTURE
This pharmacy scores 98.7, for its cost index which places it in close proximity to both the Sample and the Australian average. In this case the pharmacy is achieving Cost of Goods Sold levels that are consistent with its large prescription based operation. It is interesting that the owners have adopted a deliberate strategy of encouraging young pharmacists to grow in a learning environment and they acknowledge that this is a factor in their staffing decisions and hence associated costs. The rent charged to the business is market rent, as the premises is owned by one of the pharmacy owners and is relatively low in keeping with its rural location.

RISK
The overall risk score for the pharmacy of 101.6 is based on higher business and a lower operating risk score. This risk score is higher than the Australian average, with the key influencer for this result identified as high sales variability and moderate growth. The sales variability that this business reports may be largely the result of the timing of script purchases by customers.

INDICATIVE VALUE
The pharmacy has a moderate Indicative value score of 99.5, when compared to the Sample and the Australian average. The level of prescription business is again driving this score given its impact on Contribution in proportion to the turnover levels being reported.

Key Learnings from this Case Study
- By working with the local university this pharmacy has been able to keep abreast of the latest developments in pharmacy. The pharmacy has run university trials from its premises, finding that this allows the pharmacy a risk and hassle free way to test new services in their market.
- Owners who are not involved with the pharmacy on a day-to-day operations level can still have a major impact on the pharmacy and its staff. They can encourage and sustain the culture they wish to promote through developing the strategic direction of the pharmacy and mentoring junior pharmacists.
- Planned shop re-fits can support the move to emphasise the extended delivery of professional services.

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“the segmented pharmacy”
Case Study Twenty-Three

**Background Information**

The pharmacy is located in an outer metropolitan suburb of a large Australian city. It is a large pharmacy (530sqm) and combines a strong retail focus with delivery of a number of professional services to the community including methadone supply, dose administration aids, aged care facility prescription service, Home Medicine Reviews (HMRs) and Residential Medication Management Reviews (RMMRs).

The managing partner of the business works as the head pharmacist and has been operating from this location for 16 years. Three years ago, the pharmacy changed over from membership of a wholesaler-based banner group to that of a more retail-focused marketing group. The driving force for this change was the owner’s uncertainty about the future of the pharmacy industry and a strong belief in the need to create a sustainable and competitive advantage for the business in a potentially deregulated pharmacy industry.

Since changing banner groups the business has achieved significant growth in terms of customer numbers, annual prescriptions, gross margin and overall turnover. Professional services remain a core component, however, the business is now less dependent on the dispensary operations (currently prescriptions account for 63%, down from 75-80% before the change).

The pharmacist estimates that 80% of the pharmacy’s customers are “regulars”. The location of the pharmacy provides customers with parking facilities. This attracts a number of elderly customers and residents from the town and the surrounding areas who require disabled parking.

The pharmacy employs twenty six staff and fills in excess of 300 prescriptions a day.

**Customer Demographics**

The pharmacy is located in a neighbourhood shopping centre of a growing outer metropolitan suburb. With affordable housing prices and several new housing developments the area is popular with young families who make up the one of the pharmacy’s core customer groups. The other group is the original farming community residents of the area.

Graph 1 shows that 64% of the area are under 39 years of age. This is higher than the state age distribution of 57%. The older age groups are less than the state average. Those 60 years and over are 17% of the state but only 13% of the area. Average household size (2.8) is higher than the state average (2.6) indicating more families in the area.

According to the pharmacist, the region is one of the fastest growing growth corridors in Australia. The statistical data indicates growth of 18.5% which is significantly higher than the state & Australian population growth of 6%.

Both its location and customer demographics impact on the product and services this pharmacy offers. This pharmacy appears to be catering to a broad cross-section of the population with a focus on families and ageing people – important areas of growth.

Graph 1: Local Area Population Growth for 2001
Pharmacy Strategy

The pharmacy’s strategy focuses on segmenting “areas” in the store to provide high quality products and services at value prices to customers at all times. In this pharmacy, the business operations are divided into three distinct areas:

- The front of shop component
- The middle shop component which includes over-the-counter scheduled and unscheduled medicines, wound care and other professional advice-driven areas
- The dispensary.

There is a clear separation of the front-of-shop operations from the dispensary operations. This allows the pharmacists to focus on their area of expertise: the provision of professional products and services. The pharmacy assistants are trained for allocated areas of the front-of-shop (see Pharmacy Processes and Systems).

Under the previous banner group, the dispensary operation was growing but despite significant marketing efforts, the front of shop operations kept losing market share to local supermarket competitors. The new pharmacy group’s core competency is in the retail aspects of pharmacy. By recognising a lack of proficiency in this area and outsourcing this responsibility, the pharmacy can be far more competitive and concentrate on developing professional pharmacy services.

Before purchasing this pharmacy, the managing partner worked overseas in more retail-driven pharmacies. The pharmacist came to the view that newer more retail-focused business models offer more chance to remain competitive in an increasingly competitive and potentially deregulated market. The pharmacy’s strategic direction has been based on this previous experience and predictions for the future of the pharmacy industry in Australia. The results of the new strategy are very positive. In the last financial year, the pharmacy gained 20,000 customers and 8,000 additional prescriptions. The average sale has also increased and the gross profit is up over the previous financial year.

Pharmacy Processes and Systems

KEY ROLES

The pharmacist was previously the sole proprietor of this pharmacy however two partners bought in when the pharmacy changed banner groups and the floor space was extended.

The pharmacy employs four salaried pharmacists and three qualified dispensary technicians. According to the managing partner this pharmacy operates at a much higher level of pharmacists per prescription compared to the “average” pharmacy and this allows them to provide a high level of service to their customer base, counselling on over-the-counter and prescription medicines and additional professional services such as methadone.

The dispensary area was redesigned to provide each pharmacist with their own workspace and a computer terminal. There are also separate areas for dose administration aid preparations, methadone dispensing and a dedicated counselling room.

The pharmacy also has a number of specialist staff in the front of shop area. The senior pharmacy assistants, now called retail managers/supervisors, control the front-of-shop, and there is a dedicated staff member who manages the large beauty and skincare areas. The retail managers/supervisors underwent extensive training in retail management when the pharmacy changed banner groups.

According to the pharmacist this has given them the necessary skills and tools to effectively manage the front of shop operations and allow the pharmacists to concentrate on their professional roles.

Initially the pharmacy staff found these changes difficult but their subsequent autonomy on the front of shop operations gives them a great sense of job satisfaction.

THE PHARMACY NETWORK STRUCTURE

This pharmacy group provides extensive retail systems to ensure a high level of compliance in the group. According to the pharmacist, this has benefits for individual pharmacies in terms of access to better prices through centralised buying and retailing expertise. The pharmacy group has a loyalty card/program and delivers regular catalogues and promotions to members.

TRAINING

Retail management training is provided by the central office for the front-of-shop staff. The pharmacy also holds regular, informal staff meetings and product training is organised with the pharmaceutical companies. The pharmacists have limited opportunity for formal continuing education due to time and distance pressures. A salaried pharmacist with an extensive clinical background is in charge of developing an internal professional development program including providing a written summary of any new drug information received by the pharmacy.

PROFESSIONAL RELATIONSHIPS

The pharmacist is well established in the community and has strong relationships with the GPs in the area. A key initial strategy employed by the managing partner was to promote the pharmacy to GPs as a source of professional advice on medications. The pharmacy is also involved in community education activities with a number of the local GPs who run...
The pharmacy offers a broad range of products and services to the community including:

- Broad range of products
- Large cosmetics and skin-care department with focus on mid-range priced brands
- Printed health information
- Private counselling room
- Residential Medication Management Reviews (RMMRs) and prescription service (98 bed aged care facility)
- Methadone service (approximately 40 patients)
- Dose administration aids (100 customers)
- Community education program with local GPs
- Home Medicine Reviews (HMRs) (1 to 2 per month)

**METHADONE SUPPLY**

The pharmacy has been providing a methadone service for a number of years. While acknowledging that only a small percentage of these patients ever come off the program, the managing partner credits the successes the pharmacy has had to the high level of service and attention provided by the pharmacy staff.

**RMMRs & HMRs**

The pharmacy conducts RMMRs for an aged care facility as well as a small number of Home Medicine Reviews (HMRs). RMMRs are viewed as being cost efficient because they are conducted in volume and at one location. The pharmacy outsources these to an accredited pharmacist and delivers the service as part of the contract it has with the aged care facility. HMRs, while delivering a patient benefit, are not viewed as being cost efficient in their current form. Pharmacist employed in the pharmacy conduct HMRs, as there are only a small number being performed.

**New Products & Services & the Implementation of Change**

The managing partner has assessed the process of delivering counselling for prescription services to ensure that customers are given a number of options within the one store. There are both forward dispensing desks and a separate counselling room if required. This process was implemented to effectively manage the pharmacists' time and to ensure that a qualified pharmacist, rather than a pharmacy assistant, delivers advice.

The system results in a better outcome for customers by giving choice about counselling delivery and also serves as a marketing tool for the pharmacy by promoting their high quality service and advice.

The future for this pharmacy is to continue the focus on both retailing and professional services. According to the pharmacy owners, the delivery of professional products, services and advice will remain an important part of the pharmacy's offering but the move to a more retail focused model reduces business risk.

Previously, this pharmacy offered a number of retail services including a beauty and hairdressing salon, a naturopath and a baby clinic nurse. These retail services have now been discontinued. While the services provided some growth opportunities for the pharmacy, they also had negative implications and were only marginally profitable.

The pharmacist believes that customers would come to the pharmacy for advice from the naturopath and then purchase recommended products from the supermarket because it was cheaper. Also, when key personnel for these services, such as the beautician or the hairdresser left the business, their customers followed them. This had an impact on the pharmacy’s profit and subsequently it was decided to discontinue these services.

**Potential Implications for Change Management**

- A clear vision for the future of pharmacy can provide clear priorities for decision making and help create alignment of functions across the pharmacy.
- Introduction of services has implications for the staffing numbers and human resources capabilities of pharmacy personnel.
- Service provision can be strengthened by establishing collaborative “win-win” relationships with other health care providers.
Financial Information

OVERVIEW
This large pharmacy operates to a clearly defined group based business model in a major community shopping centre. It is a high turnover business operating for extended hours (73hrs) dispensing a high prescription volume and achieving average gross margins overall. It has a high growth business and has indicated that it experiences high sales variability (determined as a highest to lowest month comparison.).

Its Sales per square metre of $12,451 place it in the bottom 37% range of the Sample and its Contribution per square metre of $1,759 also puts it in the 20 to 40% range. However, it is noted that the store has been purpose built for growth.

The financial commentary included in this report is based on simplified analysis of a data set of selected key operating and financial variables. As such it may not fully reflect the quantitative or qualitative factors that drive performance in this pharmacy.

FINANCIAL PERFORMANCE
This pharmacy performs well above Sample Index (100) with a score of 126.6 and well above the Australian average of 63.0. It has a higher than average turnover and prescription volumes exceeding 65,000. It is located in a high growth corridor on the perimeter of a major city and is experiencing dramatic sales growth which is driving this performance.

Key Learnings from this Case Study
- Experience in an overseas, corporate environment and with different pharmacy models provides additional insights that may help improve future thinking and business operations.
- Formal separation of the dispensary and front of shop operations and role specialisation allows pharmacists to concentrate on their core professional service and advice role while leaving the retail aspects to other specialists.
- The level of professional advice and counselling provided in community pharmacy is highly dependent on the ratio of pharmacists to average daily prescriptions.

Note: The pharmacy owner requested this note appear with this financial analysis:

"It is my strong view that the Indicative Value result presented in the financial analysis of this case study is highly inaccurate. The business has a better financial result and a similar cost base to the sample. The business is more sustainable and more manageable. Sustainability comes from less reliance on the NHS with a more even spread between dispensary and retail. The business now has two profit centres and is more geared to coping with deregulation. The franchising concept provides systems which mean from an operational standpoint the business is easier to manage. The business is also less reliant upon the goodwill of the owner and more reliant upon the brand. As such, the risk should be lower than the sample and consequently the value higher than the sample. The connection between risk and value is clear. My view however is that the pharmacies who remain solely reliant upon the NHS for profit are in fact the ones with higher risk."

NB: Each case study's results are indexed to the Australian average which is indexed to the Sample. This is based in the Guild Digest published by the Pharmacy Guild of Australia and Medici Capital data bases and is considered to provide an unbiased comparison or "benchmark".
ago. It utilises its prime shopping centre location by offering spacious premises (over 1,100 sqm) and a high level of service. The internal layout of the pharmacy incorporates wide aisles and clearly identified departments. The pharmacy is run by two managers for three owner partners and employs a total of 34 staff. The pharmacy fills an average of 500 prescriptions a day and prescriptions account for less than 60% of total sales.

Background Information

The pharmacy is located in a large shopping mall in the outer suburbs of an Australian city. It is a member of a pharmacy group that was established fifteen years ago with representative pharmacies throughout Australia. The pharmacy is a large, department store style pharmacy with a number of specialised areas including a natural health and naturopathic centre, a beauty salon offering an extensive range of beauty services and a large cosmetic department. The pharmacy also offers a number of professional services including a weight management program, Diabetes Australia agent, Home Medicine Reviews (HMRs) and screening services.

The pharmacy has been in the same location for seven years but had a major redesign 12 months ago. The pharmacy is a member of a pharmacy group that was established fifteen years ago with representative pharmacies throughout Australia. The pharmacy is a large, department store style pharmacy with a number of specialised areas including a natural health and naturopathic centre, a beauty salon offering an extensive range of beauty services and a large cosmetic department. The pharmacy also offers a number of professional services including a weight management program, Diabetes Australia agent, Home Medicine Reviews (HMRs) and screening services.

Customer Demographics

The pharmacy is in a suburb 40 minutes from the CBD of a large Australian city. It is a middle to high income area with large numbers of young families. Although a significant customer group for the pharmacy is elderly people (pensioners and self-funded retirees), there is a lower proportion of aged (12% versus state average 17%) in the area’s population than other age groups. Graph 1 shows slightly more children (30% versus the state average 28%), and more 40-59 year olds in the area (28% versus the state average 26%). These age groups are catered to with the pharmacy’s broad product and service offering which encompasses a wide variety of needs (see Product and Service Offering).

According to the pharmacist manager, approximately 50 percent of the pharmacy’s customers are “regulars” attracted to the pharmacy for its convenient location in the shopping centre and its broad product range.
Pharmacy Strategy

Banner group membership offers this pharmacy a well established brand identity and market position. The group focuses on three areas, health, wellness and beauty, and aims to be a market leader in each area. The main strategy underpinning this focus is to allocate specialist trained staff across these three areas to assist customers with guided product choice. This store is regarded as one of the exemplary pharmacies in the group. The recent refit separated the retail business into three distinct (physical) areas. This provides a clear message to customers about the pharmacy’s product offerings and allows the business to manage any potential product “conflicts”. In this pharmacy the low carbohydrate-based weight loss program is part of the naturopathic centre’s service offerings while customers buying another weight loss product are managed by the pharmacists.

According to the retail manager, customers want pharmacies to offer a range of products, health and beauty services while also providing the professional advice that customers value. The department-style retail strategy also provides business synergies with services that are interlinked, and gives the pharmacy the ability to cross-sell the services to customers.

Pharmacy Processes and Systems

KEY ROLES

There are two pivotal management roles in this pharmacy – the pharmacist manager and the retail manager. The pharmacist manager is responsible for the professional staff including three full-time and two part-time pharmacists, three naturopaths and a part-time clinic nurse. The main role of the pharmacist manager involves being “on the floor” providing professional advice and service to customers and ensuring that the pharmacists and other professional staff are accessible to customers. The professional staff report to this manager.

There is also a pharmacist-in-charge (one of the three full-time pharmacists) whose role, together with dispensing, is to ensure the pharmacy complies with QCPP and other regulations.

The naturopathic centre is staffed by a team of naturopaths and offers a comprehensive service which includes professional recommendation of products and consultations.

The retail manager oversees the front of shop staff and operations, and is responsible for the development of local marketing campaigns and staff training.

The pharmacy also employs a database manager who has responsibility for the pharmacy’s computer systems, data entry and invoicing. A stock controller and stock assistant’s main duties are to manage the large volume of stock that passes through the business.

TEAMWORK AND TRAINING

In this pharmacy the two managers operate as a close knit team effectively sharing the management responsibilities including category analysis. The managers regularly meet with the database manager and stock controller to review the sales figures. The managers also conduct interviews for all staff and regular staff appraisals.

The pharmacy has formal job descriptions and all staff receive some training in the various retail operations of the business. The front of shop staff are rotated across the store’s departments. This provides a source of job stimulation and keeps them updated and educated on the range of products and services provided at the pharmacy.

The pharmacy conducts a minimum of twelve major training sessions a year and these are always held after hours.

THE PHARMACY NETWORK

The pharmacy group employs extensive systems across all functional areas of the business from financial reporting through to professional service protocols. Head office also provides a number of centralised services to member pharmacies including human resource management (advertising and recruitment), payroll, marketing and merchandising support, and extensive training.

Buying for the front of shop is a combination of centralised and

(Continued on page 3)
Pharmacy Processes and Systems (cont)

(Continued from page 2)
local buying in this pharmacy group. The head office employs a number of category managers whose main function is to negotiate deals with suppliers and to offer marketing support to member pharmacies. The group also has a national catalogue that is distributed to customers fortnightly.
Training is actively encouraged and the head office provides financial support for training at all levels. The head office also holds regular conferences for staff members from the group's pharmacies to share emerging issues and for training and motivational sessions.

PROFESSIONAL RELATIONSHIPS
There is a GP practice located next to the pharmacy. While the pharmacy has a close relationship with these doctors, there is no systematic development of an active working relationship with other health professionals. This medical centre does not bulk bill and the pharmacist manager estimates that prescriptions generated by this surgery account for only 10% of the total dispensary business.

TECHNOLOGY
The pharmacy has an integrated dispensary and point of sale (POS) system, managed by the database manager. The pharmacy has broadband Internet access on five computers with the Internet used for email communications and to retrieve medication information for customers. The pharmacy staff also utilise the Internet for Continuing Professional Education and recently participated in the online weight loss module available through the Pharmaceutical Society of Australia website. The pharmacy also has an internal security system.

Product & Service Offering

Products and services in this pharmacy are closely aligned with the core strategy of providing a total health, wellness and beauty offering. A broad range of products are provided in each major category and the marketed services are closely linked to the product offerings of the pharmacy.

The pharmacy pays close attention to its senior customers and provides a dedicated area in the store with seating, free tea and coffee and newspapers for these customers while they wait for their prescriptions to be filled. The “coffee shop” is strategically located next to the home health care section and shoe section. The pharmacy employs a trained staff member to advise customers on shoe fittings.

HEALTH AND WELLNESS SERVICES
The pharmacy provides a range of professional services including:

- Screening for chronic conditions – blood pressure, blood glucose, asthma and cholesterol, administered by a part-time nurse (no service charge)
- Diabetes Australia agent

- Home health care equipment
- HMRs – one to two a month
- Smoking cessation program

The pharmacy has a dedicated counselling room which is used by the pharmacists and the naturopaths for a range of consultations. The pharmacy is an agent for Diabetes Australia and as part of this service, the pharmacy provides training on how to use and maintain diabetes equipment.

NATURAL HEALTH AND NATUROPATHIC CENTRE
The pharmacy has a well developed complementary medicine/natural health section. This has been extended beyond the usual range of vitamins and complementary medicines sold in pharmacy to include a health food section with products including cereals, nuts, dried fruits, etc.

The naturopaths work on the floor providing advice on products.

The pharmacy also markets a range of programs. The major ones are:

- Weight Loss Program – this is a 5 or 10 week program with dietary consultations and support. The program utilises a very low carbohydrate diet product and the program (including product) costs $70 a week
- Detoxification program – this program is marketed as a comprehensive program to rid the body of harmful toxins and unwanted parasites.

These programs are supported with a range of chargeable diagnostic tests including a Cellular Health Analysis test and consultation, ABO blood type test, blood pressure and zinc status tests, Urinary Indican Test and Salivary Hormone Tests. The naturopaths also offer iridology analysis and herbal compounding services.

BEAUTY PRODUCTS AND SERVICES
The pharmacy carries an extensive range of mid-priced and prestige cosmetic brands. The beauty salon in the store has several rooms and a comprehensive range of beauty services is offered. The salon also offers the latest “enhanced” cosmetic services, including microdermabrasion treatments and Botox and collagen injections, with a cosmetic surgeon visiting weekly.
New Products & Services & the Implementation of Change

Home Medicine Reviews, outsourced to an accredited consultant, have been implemented in the pharmacy. The pharmacy distributes information to potential customers but there are currently no plans to actively market this service to doctors in the area. Recently the demand for this service has decreased.

In the future, the pharmacy is planning some additional in-store design modifications to appeal to a younger, teenage market. The pharmacy has recently conducted market research to establish teenage perceptions about the role of pharmacy, the preferred retail outlets for skincare/cosmetics and views on other stockists. According to this research, teenagers viewed the pharmacy as having an older and more “upmarket” image that was “less in touch” with their specific needs. As a result the pharmacy will develop a dedicated teenage area with products and services designed specifically to appeal to this market segment.

According to the retail manager the future of pharmacy lies in the development and proactive marketing of a range of professional and retail services designed to appeal to specific market segments.

Potential Implications for Change Management

- There needs to be close attention to ensuring that refits of the pharmacy premises are clearly aligned with the current vision and business strategies – any significant change in business strategy should be reflected in store layout
- Pursuing a multi-specialty strategy can support a move to greater service delivery
- Market research can help identify new niche markets to ensure continued growth in profitability of the variety of services offered by a multi specialty pharmacy

Key Learnings from this Case Study

- Large pharmacies with extensive product and service offerings (both traditional and complementary) provide customers with the convenience of “one stop shopping” and a range of choices for the management of their health
- An effective strategy to maximise sales is to allocate specialist staff in specialty areas to assist people with guided product choice
- Staff rotation around different specialist areas has two key benefits – it provides a source of job stimulation while at the same time ensures that all staff have sufficient knowledge to direct customers to the appropriate product/service areas ensuring high levels of customer service
- The execution of a complex, multi-faceted strategy requires careful management and ongoing training