CONCLUSION

These case studies show three different presentations of pharmacies adopting a similar business strategy—that of the ‘traditional’ pharmacy. This strategy can be applied to pharmacies regardless of their location in terms of both region and setting (e.g. medical centre, shopping centre). Typical characteristics of the pharmacies falling into this category include:

• They are limited in size and growth by their tendency to maintain a limited market share in the local community.
• Their financial performance is often strongly affected by outside influences such as other local health-care professionals and pressures from other competitors.
• They differentiate themselves according to the needs of their customers (e.g. convenience, specialised services or specific product ranges).
• They are usually located in declining or stable markets. This increases the cautiousness of pharmacy owners when introducing new products or services, and explains their strong focus on servicing their local customer base in a way that maintains customer loyalty.
• They have more limited in-house capacity and resources than most pharmacies using other strategies and are more likely to initiate the provision of services through outsourcing.
• They are likely to be quite constricted in pursuing some options due to the current shortage of skilled labour in the market. This, however, is not exclusive to this group.

In Chapter 4, we move on to look at pharmacies in the ‘expanded’ category of the PVM.

EXERCISE 3.1

1. What were some of the similarities and differences between the case study pharmacies adopting the traditional pharmacy strategy?
2. Working in groups, discuss if any members of the group have experience working in a pharmacy that fits into the traditional pharmacy category of the PVM. How do these experiences compare with the case studies?
3. Discuss the advantages and disadvantages of the traditional pharmacy strategy.

CHAPTER 4
EXPANDED COMMUNITY PHARMACY STRATEGY

‘Perception is strong and sight weak. In strategy it is important to see distant things as if they were close and to take a distanced view of close things.’

Miyamoto Musashi

LEARNING OBJECTIVES

On completion of this chapter, you should be able to:
• understand the strategic focus of the ‘expanded’ community pharmacy
• recognise the presence of this strategy in the case studies provided, and
• use the case studies to gain insight into the variety of community pharmacies that fall into this category.
INTRODUCTION

The strategic focus for the expanded community pharmacy model is on providing the local community with a broad range of pharmacy products and/or services (see Figure 4.1). These pharmacies do not service consumers from a wide geographic area, but focus on the needs of the local community and cater to their product and service needs.

The expanded pharmacy provides local consumers with a broad range of products and/or services. Like the traditional pharmacy, they are committed to serving their local community, but with convenient location and broad range being central to their business image. We will now take a look at three case studies of pharmacies that have adopted this strategy.

CASE STUDY 4.1 BUILDING COMMUNITY SPIRIT

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 developments in the industry to the community.

The pharmacy is open seven days a week, with extended hours on Monday to Friday and limited hours on Saturday and Sunday. It dispenses more than 200 prescriptions per day, and is approximately 450 m² 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 show 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 pharmacy owner notes that while there were many retired and elderly people, more recently there has been an increase in young families settling into the area. The area has an average age of 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 per cent compared to 6.8 per cent). There are fewer professional people, and significantly more unskilled or tradespeople (43 per cent) compared to the rest of the state (31 per cent).

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 with the Quality Care Pharmacy Program helped the pharmacy to achieve this vision. It forced the pharmacy owners to think beyond the immediate issues of ‘today’ and implement supporting systems and processes.
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 per cent discount on all over-the-counter merchandise and are covered for a large proportion of the cost of below-threshold 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 some customers are prepared to travel long distances to shop at this pharmacy. This group of customers accounts for approximately 15–20 per cent of the pharmacy's customer base.

The medical practice next door to the pharmacy is subleased 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 the partnership group on the pharmacy's business performance.

Professional relationships

There are 15 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 bimonthly 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.

Product and service offering

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

- a broad range of over-the-counter merchandise
- advice-driven specialist beauty products
- a visiting health-care nurse/screening service for blood pressure, blood glucose and cholesterol
- a large range of gifts
- a large baby-care department, including gifts
- a large complementary medicine department
- a large range of suncare items, including sunglasses, sunscreens and hats
- a health insurance partner
- HMRs
- a service to assist medication management, and
- home health care (e.g., hire of crutches, nebulisers, breast pumps, blood-pressure monitors, walking sticks and wheelchairs).

New products and services and 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.
a large baby-care category
• a large range of complementary medicines
• a large range of gift items
• a large range of beauty products, including skincare, hair care, fragrance and waxing/depilatory products, and
• an aged-care facility service—a 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 waxing/depilatory 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 senior aged-care facility staff. During the meetings, they discuss the medication issues related to each of the 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 and services and the implementation of change

The managing partner is qualified to conduct HMRs and views this as an area of opportunity that 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 ‘overservicing’ of health care. The doctors believe they are providing this type of service already, based on the close relationship they have 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.

Potential implications for change management

Potential implications include:
• 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 (information technology) 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

Key learnings include:
• 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.

CONCLUSION

Just as in Chapter 3, we can see that a particular strategy, in this case, the expanded pharmacy strategy, can also be applied to pharmacies regardless of their location in terms of both region and setting (e.g. medical centre, shopping centre). While each case study is different, some characteristics were typical, including:
• Pharmacy owners generally have highly developed business skills that they apply to their pharmacy. Therefore, they have more developed internal business systems. This is also due to their larger size and their available resources.
• They generally have a higher staff-to-customer ratio and have a well-developed understanding of how to effectively use staff.
• They have a high product and service offering, which helps them to compete with supermarkets and department stores.
• There is a tendency for them to leverage from government policies and services negotiated through the Community Pharmacy Agreements.
• Their motivation varies greatly. Some focus on servicing their local community, while others focus on increasing financial returns from the business. Others try to balance these objectives.

We now move on, in Chapter 5, to consider pharmacies adopting the ‘focused specialty’ strategy.

EXERCISE 4.1

1. What were some of the similarities and differences between the case study pharmacies adopting the expanded pharmacy strategy?
2. Working in groups, discuss if any members of the group have experience working in a pharmacy that fits in the expanded pharmacy category of the PVM. How do these experiences compare with the case studies?
3. Discuss the advantages and disadvantages of the expanded pharmacy strategy.

CHAPTER 5
FOCUSED SPECIALTY COMMUNITY PHARMACY STRATEGY

‘What business strategy is all about … is … competitive advantage.’

LEARNING OBJECTIVES

On completion of this chapter, you should be able to:

• understand the strategic focus of the ‘focused specialty’ community pharmacy
• recognise the presence of this strategy in the case studies provided, and
• use the case studies to gain insight into the variety of community pharmacies that fall into this category.
Focused specialty pharmacies offer a narrow range of specialised products and/or services to an extended community (see Figure 5.1). They generally focus their business on a niche market within the community that extends beyond their immediate local area. Because of their in-depth specialised knowledge, they are able to attract consumers from a larger geographical area than the immediate local community. Customers are willing to travel further to access the more specialised products and services they need. We will now take a look at three case studies of pharmacies that have adopted this strategy.

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 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 specialised staff, such as a dietician 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 240 m²) and is located on a busy main shopping street with through access to a car park behind the store. It services a highly populated area (see ‘Customer demographics’ below). The pharmacy is open seven days a week from 8.30 am to 9 pm, and averages over 300 prescriptions per day.

### Customer demographics

The wellness and weight-loss pharmacy services a large catchment area of 400 km². Figure 5.2 shows that at least 60 per cent of potential customers are under 40 years of age. There are fewer people over 60 in this area than in the state. Households in...