

What's in a name?

Banner groups and franchises are becoming increasingly popular options for pharmacy owners seeking help in running their business. Hailey Settineri looks at some of the brands at the forefront of pharmacy in Australia.

When community pharmacies in Australia first began dabbling in retailing, 'brand' referred to the product on the shelf. Nowadays consumers are just as likely to make purchasing decisions based on the branding of your store – before they even step inside.

Brands are about consistently being relevant and appealing to consumers. They are about the look, feel, experience, range, quality, service and value – the overall offer or consumer proposition.

Chemmart Pharmacy National Marketing and Merchandise Manager, Scott Jones, says it is important that pharmacists understand both the philosophy of brands and the position a brand owns in the mind of the consumers.

"The intangible assets a strong, differentiated brand offers a pharmacist are priceless when considering that consumers are becoming increasingly more aware of what value is available in the pharmacy market."

Whether you're an independent pharmacy or part of a franchise, the way your store is marketed will impact on store traffic, and

of course, sales. So if you're considering joining or changing brands, it's best to research all options.

Think big

Being part of a large brand provides pharmacists with the ability to penetrate larger consumer markets and generate sales volume. This allows the pharmacist to build on the transaction and increase lifetime value and retention.

They also allow pharmacists' access to consumers so they can focus more on professional care, service and solutions – a point of difference against the discounters and grocery players, where it's all about price.

API's Group General Manager, Pharmacy and Consumer Brands, Richard Vincent suggests pharmacists find a well-known brand that suits their customers' needs and wants.

"Find a brand that is well recognised and respected by the general population and can compete in a marketplace that is continually evolving and becoming increasingly competitive," Mr Vincent said.

"Ultimately, look for a brand which is consumer-focused, has a point of difference and is supported by a retail-driven organisation. API has been serving the community for 100 years and continues to offer compelling retail solutions to meet varying business needs," he said.

Small is beautiful

However, not everyone agrees with the bigger is better/strength in numbers approach. Pharmacy Essentials Director, Simon Hambrecht, says small brands can often offer superior support.

"Just because there are a large quantity of people involved in a banner group doesn't necessarily equate to excellent benefits. Quite often it's the smaller up-and-coming groups which are the best option, as you are most likely not to become 'just another number.'"

Mr Hambrecht describes the Pharmacy Essentials model as more an 'up-and-coming banner group' than a corporate competitor.

"We are still a small group, compared to others, yet we still compete at a very high level with our competitors – including offering strategies to combat the dreaded discount models," Mr Hambrecht said.

Smaller groups generally offer a lower level of compliance, allowing pharmacists to play a key role in the managing of their business.

"We believe you can achieve more through the power of suggestion and encouragement – more carrot, less stick. In a model like ours, a pharmacist has a lot of control and quite often enjoys success – as long as they keep an open mind and listen to some 'outside the square' ideas which pharmacies tend not to experiment with. We look to fostering 'partnerships' with not only our members but also our suppliers and this is another reason we achieve the results we do."

Review and research

Each banner group has its own strengths and weaknesses, so it is important for pharmacists to review their own business strategy and make a decision based on their own circumstances, says General Manager of PharmaSace, Phytos Exa.

"This decision can lock the pharmacists into large upfront costs and/or huge ongoing fees and charges that may reduce the profitability of the pharmacy for a long period of time.

"Make sure you have established a sustainable business plan that allows you to grow and maximise your business return. Retail strategy is all important in keeping your customers coming back and growing your business. Take time to make the right decision for your business at least for the life of the Fifth Guild Government Agreement."

YouSave Director, Terry Herfort agrees that research is vital to ensuring you pick the right brand for your pharmacy.

"It really boils down to assessing your return on investment on the banners' fees and costs," Mr Herfort said. "Do your homework and make sure you fully understand all the

fees and hidden costs of the banner – especially some of the larger ones. The costs can really add up, and be much more significant than you thought."

It is also important to consider the prime objectives of the brand you select, as most wholesaler-owned groups are subservient to their core business strategy of 'pumping through product,' Mr Herfort says.

"Wholesalers' interest is not so much for the community pharmacist owner, but for their primary stakeholders – the shareholders and the stock market. So inevitably you find the poor wholesaler group pharmacist sooner or later facing increasing stock holding, increasing stock turns, and a squeeze on cash flow."

Support

Being part of a banner group is more than just buying power and joint marketing, says United Discount Chemists (UDC) Marketing Manager, Adam Scaffidi.

"Being part of a banner gives your business access to expertise. Of course UDC offers great buying power and our import program allows exclusive offers, but the benefit of buying, merchandising, finance, marketing, and IT advice is invaluable."

Nobody knows their customers like the pharmacy owner, so UDC work with and support store owners to maximise their offer to the customer and improve their bottom line.

"Know what your customer wants and understand what outcome you are trying to achieve," Mr Scaffidi said. "Clear goal setting and knowing your market is key when making a decision for your pharmacy."

Change management

It is clear the pharmacy retail channel is becoming more competitive and as the Government strives to maximise the savings across the health budget it is likely margins will continue to be under pressure, says Pharmacist and Terry White Chemists National Merchandising Manager, Jeff McEvoy.

Time for change

If you run an independent pharmacy and are considering making the switch to a brand, ask yourself the following questions:

- Are you optimising the space you are in?
- Are you selling the right mix of products?
- Are you marketing the business?
- As an individual pharmacy can you leverage the way brands do with suppliers, across innovation, technology, merchandising, logistics, generics?
- Are you competitive in your catchment?
- Do you have a partnership with an organisation that can withstand competition?
- Is your brand strong enough to survive the rigors of emerging competition, PBS reforms etc?

“This makes it even more important to ensure that each pharmacy adopts an intensive and proactive approach to marketing, category management and customer service. It is simply unrealistic for an individual pharmacist to fund all the structures necessary to deliver on all these aspects as well as fulfill the needs of the local community as a pharmacist,” Mr McEvoy said.

“Having the support of a franchise management company behind you leaves you free to get on with the job of doing what a pharmacist does best – be a pharmacist.”

Director of MegaSave Chemists, John Maronese, says MegaSave has had a large number of inquiries over the past few months due to independent and banner pharmacies being concerned with the fact that for

consumers ‘price is an issue’.

“Like it or not the ‘heavy discounters’ have changed the pharmacy environment and marketplace nationally, and with 20+ per cent (and growing) they are setting some benchmarks that need to be addressed by all pharmacies if they wish to be sustainable in the future.

“Pharmacist now need to understand that as much as we are

in the health care profession, we are also in retailing and need to run our pharmacies in a commercial manner like other successful retailers. Most pharmacists and pharmacies will require change management, and I believe we are the only group that is totally committed to change management in pharmacy. Remember: if you don’t change everything, you change nothing.”

API



Priceline

Prevalence: There are currently more than 320 Priceline stores, of which 180 are Priceline Pharmacies. Most of the other 140 corporate stores will eventually be converted to pharmacies.

History: The first Priceline store was opened in 1982 with Priceline Pharmacy being launched in 2002.

Brand: Priceline Pharmacy targets women aged 16-75 and wins customers by providing a great store environment, with unrivalled choice in mass market health and beauty products; by having pharmacists at the heart of great service, and offering exceptional value. There are systems in place to ensure stores are presented consistently to meet customer expectations.

Business: As part of the brand offer, franchisees get the benefits of buying power, a strong promotional program, access to one of Australia’s largest loyalty programs (the ClubCard customer database has more than three million customers), in-depth customer and marketplace research, a household retail brand, strong operational support, evolving infrastructure, retail expertise, among many other great benefits.

Priceline Pharmacy focuses on the suitable allocation of resources. It takes on the majority of buying and promotional decisions, enabling store teams to focus on executing the customer promise in-store.

A range of services are provided that alleviate the need for resources to be allocated to some tasks, allowing store staff to spend more time with customers.

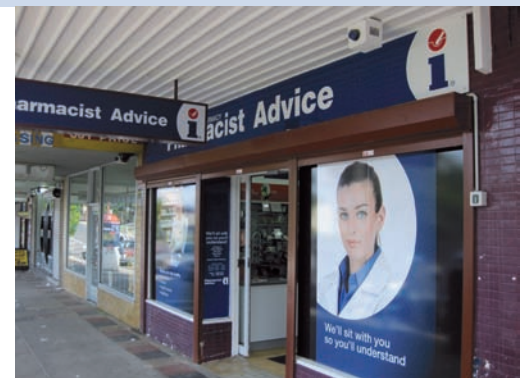


Soul Pattinson

Prevalence: There are 100 Soul Pattinson Chemists throughout Australia.

History: Soul Pattinson is Australia’s oldest pharmacy brand and is more than 130 years old.

Brand: The Soul Pattinson brand targets grocery-buying mothers with children. As a heritage brand, Soul Pattinson has long been a well-known authority on health providing proven everyday health and wellbeing solutions for family, child and baby. The brand provides a traditional health experience and offer, with quality health and wellbeing service and solutions.



Pharmacist Advice

Prevalence: There are 70 Pharmacist Advice pharmacies throughout Australia.

History: The Pharmacist Advice brand was formed in 1992.

Brand: The Pharmacist Advice banner has the tagline ‘We’ll sit with you so you’ll understand,’ offering professional service and advice to patients. The brand has a forward-pharmacy patient counselling focus, with high level intervention, care and medication management solutions.

Pharmacist Advice targets patients with serious health problems and helps manage their condition and medication needs through professional counselling, information and advice.

Business: Soul Pattinson and Pharmacist Advice are consumer-driven brand offers, providing strong consumer and industry brand recognition as well as comprehensive consumer marketing programs; best in market terms; best in market generics offer; best in market OTC buying deals; merchandise planning, planogramming and core ranging; and business expertise and development support.

Soul Pattinson and Pharmacist Advice require compliance around key elements such as core ranging, wholesale commitment, generics and consumer marketing promotions. This is designed to help build and deliver a sustainable value proposition through industry and supply channels. The brands allow for flexibility around layout, merchandising options and replenishment.



Chemmart

Prevalence: There are currently 216 Chemmart Pharmacies nation-wide. Membership is expected to grow to another 20 stores in the coming year.

History: Chemmart Pharmacy has been around for more than 30 years. It started out in SA as a buying group and quickly became a local force to be reckoned with – which attracted the interest of Faulding Pharmaceuticals. Brand Manager, John Whiting, quickly obtained funds to transform Chemmart into a retail brand and expanded into the east and west to form the basis for what Chemmart is today.

Brand: Chemmart is Australia's first wellbeing pharmacy. It offers services such as diabetes management, sleep apnoea testing and support, weight management and smoking cessation to help customers to better look after themselves. Chemmart Members embrace the philosophy and use it to build on their core strengths of advice, knowledge and being a trusted advocate for family health. Chemmart also has a strong value-oriented merchandise and promotional offer – matching any value offer in the market – to ensure customers are not forced to trade off between wellbeing and value.

Business: Joining Chemmart Pharmacy gives pharmacists the ability to streamline store operations through access to sophisticated systems and processes. Chemmart has one of the largest operational teams in the Australian market, with a team of 17 seasoned merchants, marketers and retail operations specialists. Members receive ongoing professional assistance from this team, including advertising campaigns, customer loyalty program, tactical event campaigns and local area marketing initiatives.

As members enter into a franchise agreement under the Chemmart brand, clearly defined minimum standards are agreed to. This ensures a consistent look and feel across member stores and means customers can shop across the network of stores with the confidence that similar products and services will be available.

Chemmart has a 'core' front of shop retail offer which is developed through market analysis and store historical data. This helps determine the available opportunities in regards to planogram sizes, product and range mix, store layout and suggested optional ranges and categories – such as cosmetic brands, health programs and customer services. However, the owner never relinquishes control over purchasing decisions.

MegaSave
CHEMIST

Mega Save Chemist

Prevalence: There are currently four pharmacies in the group, with another three starting soon.

History: Mega Save Chemist began seven years ago with two sites: Westfield Parramatta and Erina Fair, NSW. The systems and procedures of the model was further developed over the first five years, and by 2008 the developers were satisfied with its performance and ability to operate as a franchise model.

Brand: There are two brands in the group – Mega Save Chemist for larger foot print sites and Max Value Pharmacy for medium foot print sites. Both brands operate under the same concept, which is the perception of 'discount' combined with service and professionalism.

Business: The Mega Save Management integrated Pharmacy Management approach requires compliance with store layout, central buying process (not allocations), group marketing program and professional promotional calendar. However, the dispensary purchasing always remains the responsibility of the pharmacist. Mega Save Chemists have added an extra \$50,000+ to members bottom line existing business compared to other competitive pharmacy groups.

pharmacy **essentials**
health. beauty. medicine

Pharmacy Essentials

Prevalence: There are currently five pharmacies in the brand, with another four anticipated by the end of 2010.

History: The first Pharmacy Essentials store opened in Kingaroy, QLD in October, 2008 with the second (Southport Park, Gold Coast QLD) and third (Upper Coomera, Gold Coast QLD) in the February and March 2009.

Brand: Pharmacy Essentials is a new look chemist based on convenient and customer-friendly layout; best range of health, beauty and medicine products; competitive pricing; knowledgeable and friendly service; and targeted marketing.

Business: Pharmacy Essentials provide an exceptionally high level of support in the areas of training, HR, and operational support and business development. With competitive buying terms, tailored category management (all stores are tailored to their demographic when it comes to product ranging and pricing) as well as marketing and website options, the team at Pharmacy Essentials are very proactive and are always seeking areas of opportunity in the market place that they can capitalise on.

The brand also offers a large amount of flexibility so each member can participate as much, or as little, as they like.



PharmaSave

Prevalence: 35 member stores with a forecast to have 60 stores by the end of the calendar year.

History: PharmaSave was established in January 2009.

Brand: PharmaSave focuses on delivering care, value and service to customers, with programs designed to target and engage customers who want to take charge of their health.

Business: PharmaSave will work with all members to maximise the return from their retail investment and ensure compliance for its key supplier supporters. A high level of supplier compliance returns excellent trading terms with all suppliers; branding and promotions that are compelling to consumers; sales analysis focused on improving profitability of every store.

Terry White Chemists

Prevalence: There are currently 159 stores signed, with 150 open and trading as Terry White Chemists (TWC). TWC Chief Executive Officer, Anthony White, plans to grow the TWC network to 400 pharmacies over the next 10 years.

History: In 1959, pharmacist Terry White borrowed 100 pounds from his brother Phil to buy a small pharmacy at Woody Point on Brisbane's northern outskirts. Since then Terry, together with his pharmacist wife Rhonda, has helped to build a successful franchise network of independent and locally-owned pharmacies across Australia. A key motivating factor for establishing the pharmacy franchise

model was Terry and Rhonda's desire to make the path to pharmacy ownership easier, especially for young graduating pharmacists. The network now employs roughly 4500 people.

Brand: TWC is a trusted brand that has been providing breadth of range, service, advice and value to Australians on all their health, wellness and beauty needs for more than 50 years. Consumers resonate with the brand and see TWC as trusted, credible health advisors. As well as convenience and trusted advice, the TWC customer may be seeking any number of the allied health services provided through their various partnerships (for

example supported weight loss solutions, quit smoking program and Manage Your Health offerings).

Business: Terry White Management (TWM) ensures that all members receive the industry best trading terms to maximise the gross profit margin in all categories. An aggressive promotional program demonstrates that value can be found in-store, allowing individual stores to increase sales in these areas while protecting a commercially realistic margin. TWM also does category management to ensure pharmacies are carrying the right range of products and maximise the return on investment for the stock inventory.

TWM encourage the active involvement of the owner as they know their area better than anyone else. However brand consistency is crucial for the customer shopping experience, so basic core ranging, services offered across the brand and the whole look and feel of the stores needs to be the same across the network.

TWM has a team of specialised professionals from areas like marketing, merchandising, finance, design, shop fit, property and IT as well as negotiators involved with trading terms and recommended retail pricing. Their role is to offer support services to franchisee pharmacy owners.



YouSave

Prevalence: Eight pharmacies throughout the greater Sydney area are currently branded YouSave. There are plans for the brand to continue to grow.

History: Pharmacist Terry Herfort launched the first YouSave Chemist about three and half years in response to concerns over the huge challenges facing community pharmacy, including: static sales growth (from the proliferation of chemist discounters); a significant squeeze on dispensary margins (e.g. from PBS reform); plateauing in customer

numbers; increased rents and wages; and the huge threat of deregulation.

Mr Herfort's Avalon pharmacy was the first conversion in November 2006, with a major shopfit, and a progressive marketing and advertising program. The results far exceeded budget, and to make sure this was not a one-off success, the model was repeated at Warringah Mall. The continuing success spread via word-of-mouth and Macquarie converted to YouSave, followed by Mosman, Meadowbank, Umina and Crows Nest.

Brand: YouSave is a customer-centric model rather than a product-centric model.

Business: YouSave is looking for pro-active, motivated members who want to grow their business. Certain areas such as shop design, core marketing, computer systems, and 80 per cent core range, are non-negotiable, however YouSave is not a 100 per cent compliant model.

YouSave's computer and IT system has been praised as an industry leader by recent YouSave members.



United Discount Chemists

Prevalence: There are currently 42 United Discount Chemists (UDC) nationally.

History: UDC was established in 2006 by Sam Scaffidi who has owned and managed community pharmacies since 1986 under numerous banners and franchises, and who has served a number of years as a Director of a

leading national pharmacy chain.

Brand: UDC is firmly committed to demonstrating that customers can save money on pharmacy needs without sacrificing personal care and attention. The distinctive pink stores have become a well respected community presence, as the 'Expect more than low prices' tagline emphasises the

host of professional services that are constantly being developed and updated to exceed customer expectations of pharmacy care.

Business: UDC is a flexible model that is tailored to each store's unique consumer and competitive environment. Pricing is tailored to allow stores to preserve margin where they can

and to compete aggressively if they need to. UDC has a tiered core range to suit pharmacies from 100m², aligned to ongoing national marketing campaigns. UDC also serves to prove that traditional pharmacy values and aggressive pricing can work together to satisfy more consumers more often.