

Pharmacypractice



Large or small, all businesses have a common goal: to make money. Roger Harrop, a business advisor, (pictured left) has developed his own ideas on how this can be achieved, reports **Gary Paragpuri**

A model business

Whether you're the chief executive of a large multinational company or the owner of a single independent pharmacy, you should, as the head of the business, have a clear idea of the purpose of the company, believes Roger Harrop.

For example, publicly quoted companies have a duty to create value for shareholders, while privately owned businesses, such as independent community pharmacies, should aim to maximise the return on investment for the proprietor (and ultimately provide a pension fund).

While some companies will achieve these aims more successfully than others, all businesses do, however, have the potential to beat their competitors in their quest for the holy grail of profitable growth.

Growth from existing customers and how to stop them from leaving

So how do you achieve profitable growth? Well, assuming margins and overheads are under control, then it's about growing sales. However, this, says Mr Harrop, is not just about finding new customers but also about making the most of existing customers.

To do this, businesses need to collect data. This is not as difficult as it sounds and Mr Harrop highlights three key measurements that can be easily collected: the number of customers, their average order

value, and how frequently they place an order.

Then by setting modest growth targets, this can lead to significant sales growth. For example, increasing customer numbers and order values by 3 per cent per annum, and shopping frequency by 10 per cent, will produce a 17 per cent rise in sales: a not inconsequential amount.

For pharmacies, the new contract can serve as a useful tool here. From link selling to using patient medication records to targeting clinical services at

selected patient groups, there are various options available to build growth.

An important factor in achieving this, however, is keeping hold of existing customers. Virtually all pharmacies have a large group of regular customers but there are always those who shop infrequently or who make a single purchase and never return.

The reasons for this are varied (*see chart*) but, according to Mr Harrop, the vast majority (82 per cent) are due to perceived indifference and unresolved

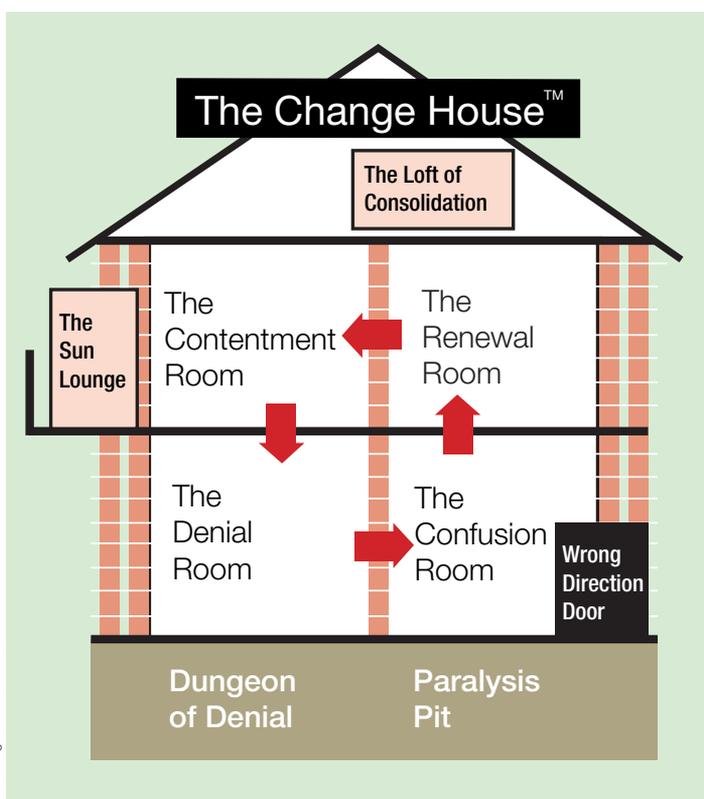
conflict. Getting these customers back will certainly help to make it easier to achieve sales growth. In the largest group of lost customers – the 68 per cent who leave due to perceived indifference – simple measures such as better communication can help to retain customers, says Mr Harrop.

Only after addressing existing customers can businesses attract new customers. This area can, however, be more difficult. Although sales and marketing initiatives can help, those in charge of businesses need to devote a fifth of their time to looking for new customers.

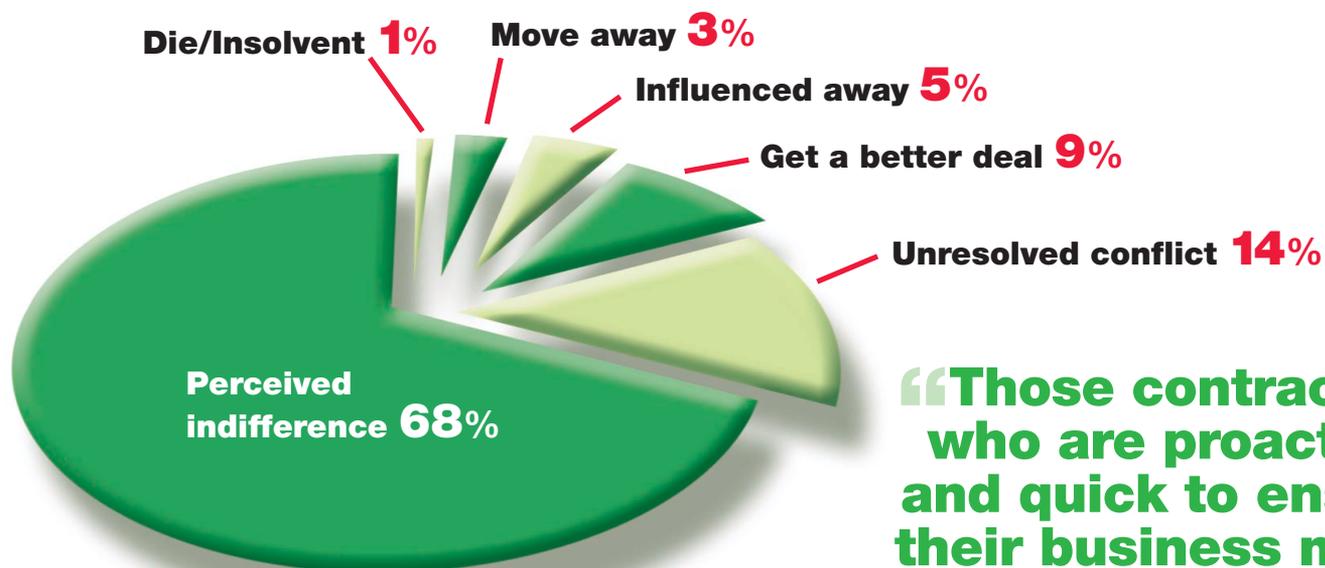
IT can be one tool that can be used to attract new customers, such as placing advertising links on internet search engines. For example, when consumers search for a diabetes screening service in a particular location, the search engine can, for as little as a few pounds per day, direct the consumer to your pharmacy.

Another method is to use viral marketing – ie those 'funny' video clips that get passed on around the internet (www.theviralfactory.com). Mr Harrop cites a video clip sent in August 2002 to five people, which has now been seen by more than 25 million.

If only a small percentage of these people subsequently visit the sender's website, it will be worth the £900 outlay (according to Mr Harrop, the company's website had nearly a quarter of a million unique visitors in the first month).



REASONS WHY CUSTOMERS LEAVE



“Those contractors who are proactive and quick to ensure their business model best meets the changing needs of the contract will surely have a competitive advantage”

The new pharmacy contract as a driver for change

Companies that want to be ahead of their competitors must be able to adapt to quickly changing market conditions.

In the pharmacy market, for example, contractors in England and Wales (and soon Scotland and Northern Ireland) are facing immense changes in the way they work due to the new pharmacy contract. Premises will have to be updated and modernised and staff will require training if businesses are to deliver new services and grab their share of the new funding streams.

Those contractors who are proactive and quick to ensure their business model best meets the changing needs of the contract will surely have a competitive advantage.

To help businesses adapt to change, Mr Harrop suggests a useful tool such as the *Change House* (pictured), in which companies can only exist in one of the rooms at any time and follow one predetermined path through the house.

Before the launch of the new contract, most pharmacies were probably in the room of contentment. Here, companies believe they are operating successfully and feel little need or desire to change. But spend too long here, says Mr Harrop, and there is a risk you could end up on the sun lounger where you will be in danger of falling out of the house altogether.

There is only one place to go from here: the denial room. Here businesses tend to look at past achievements and be irrationally optimistic. A common mantra cited by those who find themselves here is that their business is different. However, unless a suitable catalyst for change appears, the dungeon looms.

For pharmacy, however, the new contract is the catalyst that has pushed contractors into the room of confusion. This, says Mr Harrop, is an uncomfortable place, with employees unsure of the future. At this point, proprietors and employers must clearly communicate to employees the direction of travel. This will prevent businesses taking the wrong door or, worse, falling into the paralysis pit.

However, once the business adapts to new ways of working and starts to challenge the traditional way of doing things, it will move into the room of renewal. This is where businesses should strive to be, says Mr Harrop. In this room, ideas are challenged, new targets are set and businesses constantly endeavour to improve, all the while managing to keep out of the room of contentment. ☺

This article is based on a talk given by business advisor Roger Harrop (www.rogerharrop.com) at the 2005 convention of pharmacy development group Camrx. The Change House model is the property of the Change House Limited (www.thechangehouse.com).