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WHAT'S THE BEST OPTION?



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Cost cutting on wages versus investing in companion selling to get results: do the simple math, it's a no brainer, says Glenn Guilfoyle

As I travel this big country of ours, enjoying my coffee conversations with pharmacists/owners as I go, I am repeatedly struck by the cost (wage) cutting mindset as a necessary course of action to the downward pressure on profitability.

I do not believe that most of the folk I speak to even see this scorched earth approach as a solution, rather it is just a nasty knee jerk "must do".

I am comforted occasionally when an owner walks me through a different thinking pathway. Such infrequent, but memorable conversations, usually go something like

My typical hourly pay rate differential is:

- \$40ph for qualified pharmacist
- \$27ph for dispensing technician
- \$23h for pre-reg
- \$20-25ph for pharmacy assistant

I used to position two pharmacists out the back for the majority of the time, to man the script processing load, with between 3 – 4 pharmacy assistants to man the serving counters (script-in; script-out; OTC)

In so doing, I used to perform at around the national average of 30 S3/S2/S0 companion add-ons per 100 script customers and 120 of these products per 100 OTC customer visits.

For the past 18 months I have reconfigured the staffing mix: Now I offer my health customers one technician processing, with a pharmacist to the side to check and back-fill the serving counters, and between 2-3 pharmacists and a pre-reg to man the serving counters.

My increase in weekly wages (no change in headcount and total hours, just the change in the mix described) is \$1000 per week.

Within the first six months we implemented a forward pharmacy service model with a focus on providing the health customer a more complete solution, via appropriate, but nonetheless proactively offered companion add-ons for many of our around 60,000 annual health customer visits.

Within the next six months we saw our average performance move from 30 to 45 add-ons per 100 script customer visits, and basket add-ons increase from 20 to 35 for every 100 OTC customer visits.

Using our average retail price across these categories of \$14.12 with margin of 40% (all \$ figures used validated as typical by Pitcher Pharmacy), at this performance point we hit break even on our additional \$1000 in weekly wages.

Over the last six months we have seen that performance gradually move higher, and now we are adding in professional services as well as products, as appropriate, into the complete solution conversation and offer too.

Every additional dollar now goes straight to the bottom line.

You might say: “heck that’s 50% increase for script customers and a whopping 75% increase for OTC customers JUST to reach break even!”

And that’s true.

But we say: “That translates to roughly every second script customer taking one companion add-on and one on every three of our OTC customers taking a companion add-on to their first product.

We believe that we would hardly be doing our job as health professionals.....trusted health advisors to our customers.....if we were not eating these benchmarks for breakfast”.

Glenn Guilfoyle is principal of The Next Level. Contact him [here](#) or by calling 0418 519 755

