

1.0 Introduction

The Next Level presents a way forward to a high customer counsel, high solution sales and forward dispensing model tailored to the individual pharmacy.

1.1 Current service trends in Australian community pharmacy
Studies from a representative cross section of more than 130 medium to large sized community based Australian pharmacies over recent year's shows that at least 90% of dispensary's service is relatively undifferentiated from each other. Furthermore, the data collected and associated benchmarks relating to the range of elements that make up the health customer's dispensary experience, suggests that the typical service experience is not compelling enough to encourage customer loyalty. The statistics gathered align with the rise and rise of foot traffic and commercial success seen with the big box discounters. Moreover, this growing pool of data now tells us how and why.

The data tells us that Australian community based pharmacy dispensary teams,

- Invite script customers to leave, breaking their dispensary visit into two, more often than they invite them to stay for one visit
- Leave these customers disengaged longer than engaged
- Provide proactive counsel regarding the medicine being dispensed to the health customer less 50% of the time
- On average, proactive medicine/health counsel accounts for 37 seconds per script customer visit
- >90% still practice the old separate (the customer from the script and team member) and rear dispense model, which is coming under increasing profitability pressure under the new world order.

1.2 Retail Pharmacy Response

Many pharmacies are reacting to the negative industry forces by cutting costs, wages and staff with some price discounting even further. Many pharmacists will be slow to react and change their service model, because they believe that they are already differentiated and superior, and provide the customer with great health service.

However, there is a small but growing cohort of pioneers that are coming to the realisation that getting an independent, objective and scientific assessment of their current levels of customer engagement effectiveness and script processing efficiency is a critical step towards culturally changing the self-perceptions and mindsets of dispensary team members.

2.0 Method

2.1 What is this service?

The Next Level service involves real time observational scoring of customer engagement effectiveness and script process efficiency at the dispensary. The observations are used to benchmark your service across a suite of metrics which will lead to the development of a tailored, new service model.

2.2 What does this service look like?

1. "Score & benchmark" - Real time observational scoring and benchmarking across 28 metrics encompassing customer engagement, effectiveness and script processing efficiency
2. "Implement & change" - Kick-start implementation coaching, focusing on the:
 - 4 Ps of structural change for your new tailored forward service model
 - The physicals, people, product, process flow

- 4 Cs of cultural change for your new tailored forward service model

- Convert to stay -> convert stay to engaged
- > convert engaged to counsel -> convert counsel to solution sale

3.0 Results

ABC Pharmacy, Gold Coast, Qld

We heard about The Next Level's service from trusted colleagues in Queensland. From the point of initial communications, scheduling and co-ordination with us, The Next Level has been very professional. At a date that suited us, they sent their trained auditor to be on site here for three days to gather the data. The auditor is a qualified pharmacist, and so she was very empathic to working with us. She quietly listened to and watched customer after customer come to the script and/or s2/s3 counter, keying data into her computer in between customers, out of everyone's way, at the edge of the dispensary.

We received our report within a week or so, which was very revealing. It showed us, amongst a host of opportunities:

- We need to increase our script customer visit retention rate from 32% to 70% to reach best practice (below)



Figure 3.1 Ashmore City Script customer visit retention

- Whilst our engagement/disengagement time split is favourable, our proactive meds counsel can improve by 30 seconds per script customer visit to reach best practice.
- Our complementary product "add-ons" for script customer visits needs to move from 10 per 100 to 27 per 100 script customers to be best practice.
- All told, the report quantifies our increased revenue opportunity as up to \$363K in additional margin from the non-script health category sales.

Soon after receiving our report, The Next Level ran a very compelling, participative and enlightening team workshop one evening, so that the whole team could debate the report outcomes and opportunities. We have now commenced working with The Next Level through their implementation kick-start coaching process, which is helping us think differently and plan some changes to improve the way we offer service to our health customers and claw back some PBS reform profitability.

XYZ Pharmacy, Regional Vic

The Next Level scored and benchmarked all of our pharmacies in Q3, 2014. They conducted their team workshops with each of our teams, to maximise the awareness and enlightenment in terms of each team's unique reported opportunity. Now we are working with The Next Level to assist our Pharmacists-in-Charge and their teams to implement their road mapped opportunities. Taking one of our larger stores as an example, the report showed us things like:

- Our proactive counsel at the s2/s3 counter is 43 seconds per customer visit, placing us between the industry average and best practice level, yet we are providing our script customers a lesser level of service and only 33 seconds of proactive counsel per customer visit, placing us below industry average.

- Our script processing efficiency at 4m 44s per script item was 29 seconds slower than industry average, and the report helped us pinpoint how and why (see Figure 3.2).
- Our Pharmacists spending too much time at the back processing, 65% of occasions the Pharmacist is doing most of the technical work, which is well above industry average, and a long way shy of best practice.

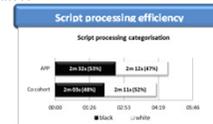


Figure 3.2 Script processing efficiency

- The report scoped a potential \$201K in additional margin from non-script health category products associated with successful implementation of the identified changes.

At XYZ, we have already seen some early commercial signs:

- Script customer traffic increasing by 26%
- Private label increasing by 31%
- Generic conversion increasing by 8%
- Total store sales heading steady, off-setting the loss through PBS reform
- Total store GP increasing 8%.

LMN Pharmacy, Regional Qld

We have worked with The Next Level over an 18 month period, and the process has helped us significantly change our dispensary service model. During the period, our pharmacists became much more forward stationed at script in and script out, instead of being out the back and coming forward on a perceived as-needs basis. In doing so, we ramped up the customer engagement and counsel provision.

The journey with The Next Level thus far has featured the inaugural score, report and team workshop and then half a year later the rescore with new report and team workshop again. They say that the power of good data in helping people change can be incredibly powerful, and that what gets measured can then be managed. We are a glowing example of this axiom. Our 6 month rescore report was extremely encouraging and gratifying for the changes we worked hard to make:

- We improved our script customer visit retention from 21% to 57%.
- Our customer engagement went from 2m 29s to 3m 49s.
- Of which, our proactive counsel improved from 11 seconds to 51 seconds.



Figure 3.3 Script customer visit and engagement



Figure 3.4 Script customer engagement



Figure 3.5 Script customer disengagement

- Our script processing efficiency went from 4m 23s down to 3m 3s per script item average.

We continue to work on our need to convert counsel to solution sales, but some early commercial indicators are giving us great promise. After our first score:

- Total Health Dollar Sales were 5% higher than the same period the year before.
- Number of retail health items sold decreased by 6%, showing that we sold fewer but higher value health items.
- Total Health Sales Profit increased by 9.5%. So although we sold fewer items, the items we sold were higher value and held higher margin products.
- Total Health Dollars per Script increased by 5.1%.

After our rescore:

- Total Health Dollar Sales increased by 8%.
- Number of retail health items sold decreased, this time by 5%, again showing that we sold fewer but higher value health items.
- Total Health Sales Profit increased by 14.1%. So although we sold fewer items, the items we sold were higher value AND higher margin products.
- Total Health Dollars per Script increased by 10.1%.

4.0 Conclusion

The old saying is true; you can't manage what you can't measure. Three case studies exemplify the commercial benefits of measuring and benchmarking your dispensary team customer engagement effectiveness and script processing efficiency. And proactively implementing the changes accordingly.

5.0 More information

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Top 3 Key Commercial Opportunities

1. Maximise pharmacist time spent with customer.
2. Grow OTC sales through proactive health counselling
3. Get advice or help on "the how"