Ten Ways to Improve Drugstore Marketing

Upon successful completion of this article, the pharmacist should be able to:

1. Explain the function of marketing in the drugstore/pharmacy environment.
2. Offer examples of why drugstores lose business.
3. Plan the integration of marketing functions into pharmacy operations.
4. Undertake a plan of action to improve his or her pharmacy by following marketing principles customized specifically for retail pharmacies.

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Marketing in the Drugstore Environment

The word “marketing” often conjures images of slick advertising campaigns, promotional gimmicks, and large budgets. In the minds of many business people, marketing is a means of enticing people to do something they otherwise would not do or to buy something they do not really want to buy.

It is true that marketing can be all of these things. In its best and truest sense, however, marketing is more than persuading and selling. It is an approach to business that puts customers in the spotlight. Marketing is an ongoing process of research, planning, and evaluating. The essence of marketing is learning what your customers want and then delivering it. It is a way of satisfying customer needs and solving problems while making a profit. In fact, effective marketing is the key to profitability.

One textbook definition of marketing is “the commercial processes involved in promoting and selling and distributing a product or service.” This definition captures the spirit of marketing in the independent pharmacy environment, but much more explanation is needed to convert those “commercial processes” into profitable action. This module offers ten keys to – or processes of – effective marketing, specifically tailored to the world of drugstore retailing.

Viewing pharmacy operations through the lens of marketing

Independent drugstore owners and managers are pulled in many different directions. The administration of a retail store requires daily attention to internal store concerns such as pricing, merchandising, staffing, and paying the bills. There are dissatisfied customers to attend to, prescription patients to counsel, and stock orders to place. These day-to-day responsibilities typically consume so much time that the “task” of marketing becomes just one more thing to do. Most often, and in many types of businesses beyond retail, marketing falls to the bottom of the priority list. After all (the justification usually is made) as long as customers are still coming in the door, business will continue as usual regardless of whether efforts are made to market the pharmacy.

Unfortunately, this justification is not true and never has been. Pharmacy industry statistics indicate that for every independent pharmacy that closes, 25 chain or big-box pharmacy retailers open. However, if independent pharmacies were to concentrate their efforts on viewing all of their operations through the lens of marketing, competition from chains, PBMs, and mail order would not necessarily be the threat that it is perceived to be.

Instead of viewing marketing as one more task to carry out in an already demanding retail environment, independent pharmacies can realign their operational and administrative responsibilities to contribute to the process of marketing. This shift in thinking can contribute to profitability and, for many pharmacies, ensure their survival.

The reason independent pharmacies lose business
The only reason that independent pharmacies lose customers is because they are out-marketed. Being “out-marketed,” however, does not equate to being “out-spent.” Chain drug does have more financial resources than independent pharmacy, but what chains lack – connection with local customers, connection with the community, and the ability to adapt quickly to a changing marketplace – are the same qualities that independent pharmacies already have and can use to their benefit.

The key questions answered by marketing
Every independent retailer asks him- or herself the following questions at one time or another. Undertaking the process of marketing is the primary means of discovering the answers.

1. How can I attract more people to my drugstore?
2. What will encourage current customers to buy more?
3. Why do some people not buy from my drugstore?

Of course, the answers may change over time. Many factors influence the behavior of shoppers in every retail environment, including evolving consumer demographics, marketplace dynamics, and changes in the drug retailing industry. Because these factors are subject to change at any time, marketing must be an ongoing process rather than a one-time or once-per-year event.

Proven Marketing Ideas
The following ten ideas provide practical, tested advice for the independent pharmacy owner or manager to begin viewing everyday pharmacy operations through the lens of marketing, as well as steps to implementation of this new mindset.

1. **Know your customers**
   To be an effective marketer, a store owner or manager cannot mold the customer to fit the business. It is critical to learn what the customer wants, and to adjust business practices accordingly. This is referred to as developing a “customer orientation.” It is also sometimes referred to with the phrase “offer what they want to buy, not what you want to sell.”

   The business that is customer-oriented shifts its thinking from what it needs or wants to what the customer needs, wants, and is willing to buy. It responds to these needs through planned, integrated marketing activities. By doing so, the business accomplishes the following three critical goals.

   • It generates customer satisfaction.
   • It enhances customer welfare.
   • It builds customer loyalty.

   There are two primary methods of getting to know your customers:

   • survey existing customers, and
   • undertake a demographic study of the pharmacy’s community.

   A survey can be as simple as a half-sheet of paper that is handed out to customers at the pharmacy or check-out counter. One way to ensure surveys are completed and returned is to ask customers to fill it out while they wait for their prescriptions. Open-ended questions usually provide the most insightful answers: “What do you like best about our pharmacy? What would you like to see us do differently? How long have you been shopping our pharmacy?” When a few dozen surveys have been collected, it is important to take time to analyze the results. Look for trends in the answers. Consider acting on those trends to improve the shopping experience for your customers.

   A demographic study may be more challenging to accomplish than a survey, but is no less important. Contact your local Chamber of Commerce or city government offices; they may have current data about the families that live in the area of your pharmacy, including household size, ages of residents, income, race, education level, and other factors that influence shopping behavior. A pharmacy
marketing firm can conduct a more in-depth demographic analysis for you, complete with recommendations about how to use the data.

2. **Build on basic drugstore departments**
Every pharmacy carries the same assortment of over-the-counter health and wellness departments. Yet some departments are more (or less) appropriate for some pharmacies than others. For example, if your pharmacy stocks a wide selection of denture care products in the oral care department, but the majority of your shoppers are under age 50, neither the oral care department nor other departments from which it is “stealing” space are performing at their peak.

In concert with getting to know your customers and potential customers, identify which front-end departments perform best for your pharmacy. Identify the eight departments that generate 80% of front-end sales and look for ways to enhance them. When each top-performing department offers the products most relevant to your customer base, your pharmacy will automatically promote a winning image.

Another means of building on basic departments is to highlight best-selling items from the top departments in other areas of the store. For example, an end-cap display of seasonally appropriate, top-selling items can catch the eye of a customer who otherwise may not have visited that department.

3. **Don’t disappoint: be in stock**
When you shop any retailer, what comes to mind when the space on the shelf where you expected to find a product is empty? What do you think when this happens repeatedly? Even if you are not looking for an item that is out-of-stock, what impression does it convey when multiple empty spaces can be seen in any stretch of shelving?

Out-of-stocks – when an item has designated space on the shelf, and even a shelf tag, but no units are available for sale – are the cause of multiple problems at retail:

- they create a lost sales opportunity;
- they create disappointment and inconvenience for the customer; and
- repeated out-of-stocks can drive customers away, sometimes permanently.

You can’t sell what you don’t have. And in most cases you cannot entice a customer to come back who has been repeatedly inconvenienced. Far too often, you will never know how much damage just one out-of-stock actually causes, but you can be assured that it is always a negative for your pharmacy.

Assign an employee to regularly walk the front-end and search for out-of-stocks. In addition to placing regular re-orders with your wholesaler, take note of products that are chronically out-of-stock. If a product is in such high demand that it is difficult to keep in stock, you may benefit from adding an extra facing of that product on the shelf or including it in a special end-cap display. If the problem involves difficulty getting the product from your wholesaler, temporarily re-arrange products on the shelf so that the out-of-stock is not evident. In all cases, a product out-of-stock on the shelf is as detrimental to your pharmacy’s appearance as a tooth missing from a smile.

4. **Take advantage of new items**
An estimated 3,000 new health and wellness products are introduced to the market each year. In many cases, their introduction is accompanied by aggressive advertising spending from the manufacturer. If your pharmacy does not subscribe to a category management program that keeps you apprised of new items, your customers may be aware of them before you are – and they may be looking for them on your shelves.
The best time to profit from stocking a health and wellness product in your front-end is when it is new to market. This is the time when consumer awareness is at its height, and your pharmacy can directly benefit from the advertising dollars that manufacturers devote to new products. It is a win-win situation for the pharmacy: no promotional dollars are required to promote new items, and customers are already motivated to buy.

5. **Use traffic engineering**

“Traffic engineering” in the pharmacy refers to arranging aisles, shelves, and departments in such a way as to encourage – even persuade – customers to visit all four corners of the pharmacy when they visit.

The best way to determine ideal traffic patterns for your store is to invite several of your employees – or non-retail minded family members – to “shop” the pharmacy as if they have never been there before. In what direction do they naturally want to turn upon entering the store? For example, if your aisles are set up to funnel traffic directly to the pharmacy counter (sometimes called the “bowling alley” effect) then customers have no reason to veer to the right or left to browse other departments.

Strive to arrange your departments so that there is a compelling reason to visit virtually every area of the pharmacy. A brightly colored gift and greeting card display in one corner will attract many visitors. A comfortable waiting area near the pharmacy, ideally surrounded by interesting health-related merchandise, will beckon even non-prescription customers. A corner devoted to over-the-counter health and wellness near the pharmacy counter will encourage browsing while waiting for a prescription to be filled.

Ideal traffic engineering is unique to each pharmacy. The best advice is to observe, consider options, and exercise common sense.

6. **Innovate with niche marketing**

Every independent pharmacy has the opportunity to be so good at what it does that no competition, no matter how well-financed, will want to try to compete with it.

The case study later in this module relates the experience of one pharmacist/owner who analyzed his community’s demographics and surveyed his current customers to discover their overriding needs. His research revealed that he could serve his community’s population of chronic care patients better than any of his chain competition.

The formula is simple: focus on what your customers want. This requires asking questions, knowing the competition, and a willingness to adapt current practices to become the destination retailer for a particular population. Independent pharmacies are ideally positioned to cater to a specific demographic or therapeutic niche. Examples of niches include the following:

- Home health care
- Diabetes care
- Women’s health
- Asthma/allergy
- Screening
- Vaccinations
- Skin care
- Nutritionals
- Home diagnostics
- Sports medicine
- Homeopathy/alternative medicine
- Family caregiving
7. **Sell to your self-treat customers**
The skyrocketing of formal healthcare costs is creating a self-treatment revolution. Healthcare consumers not only want lower-cost options, they need and demand them. Independent pharmacies have a significant advantage over chain competition in that they typically know their customers on an individual basis. Listen to what customers have to say and consider how your front-end merchandise is serving their desire to self-treat. Build an awareness of popular Rx-to-OTC product switches and new items and be prepared to recommend them to your cost-conscious customers.

Create a “Health Assistance Center” with literature display racks including information relevant to your customers’ specific disease states or common ailments. Or, incorporating an electronic information and product-locating kiosk can provide valuable information to customers while taking some of the counseling burden off of pharmacy staff.

8. **Create a “smart” pricing image**
Many independent pharmacies rely on little more than instinct or manufacturers’ suggested retail prices when setting the price for items in the front-end. This is not the ideal way to approach pricing.

First, study your competition’s pricing on key, top-selling items. It is not necessary to beat their prices, only to remain competitive. In the majority of cases, a customer in your store does not know exactly what the competition’s price is for a given item and will purchase it from you as long as the price seems “fair.” Second, always remain aware that your prices say something about your pharmacy in the same way that out-of-stocks convey a message. Prices that seem “too high” can communicate that your pharmacy discourages front-end purchases. Prices that seem “too low” convey a bargain-basement image, or worse, an image of desperation. Consistency of pricing is the key to maximizing profit opportunities.

Working with a managed pricing system, sometimes provided by wholesalers and by pharmacy marketing firms, will remove the need for guesswork and maximize your profits. It will also remove the need for you to shop your own competition, as this “competitive shopping” is done for you as part of a managed pricing system.

9. **Understand your competition**
A small amount of detective work is all you need to do in order to understand your competition.

Follow these steps to gain valuable knowledge about your competition:

- Identify the top three to five competitors in your immediate area. These could include other pharmacies, grocery stores with pharmacies, or big-box retailers with pharmacies.
- List what they do well. Consider how you might copy or improve upon it.
- List what they do not do well. Ensure that you are not making the same mistakes.
- Ask yourself “if I were going to advise this pharmacy how to do business better, what would I suggest?”
- Take your own suggestions and put them to work in your store.

This exercise is sometimes known as a “SWOT” analysis – listing the strengths and weaknesses of a retail operation, identifying the threats to that operation, and isolating the opportunities for increased profitability. A well-done SWOT analysis will help you identify at least a few areas where you can positively differentiate your store from the competition and satisfy your customers more thoroughly.

10. **Train your employees**
Customers form impressions – good or bad – of your pharmacy within the first seven seconds of entering the front door. The manner in which your staff greets them and conducts themselves is a key to forming a good impression.

Your employees are your strongest and most potent marketing weapon. Shoppers of chain drugstores and big-box retailers are accustomed to being virtually ignored by store staff. Yet studies consistently show that the most satisfied customers are those who feel valued, who are remembered from visit to visit, and who are called by name by store staff.

When hiring employees, look for personality traits such as natural friendliness, an eagerness to be of service, and approachability. If your staff is already established, encourage a “winning team” atmosphere:

- Work with a pharmacy marketing firm to establish a staff training curriculum.
- Encourage employees to treat customers as they would like to be treated.
- Reward employees who provide “extra mile” service to customers.
- Invite creative solutions to common customer problems.

Useful Web Sites

www.instoremarketer.org
The Web site of the In-Store Marketing Institute has a wealth of content mainly available to Institute members, but does allow non-members to view other content. In particular, view their Shopper Marketing Glossary.

www.narms.com/
The National Association for Retail Marketing Services offers merchandising ideas and resources for retailers of all types.

www.retail-merchandiser.com
Retail Merchandiser magazine’s online presence serves not only retailers but every segment of the retailing industry.

Case Study – Combining Several Marketing Ideas for Success

MT operates an independent pharmacy in a growing suburban area of Chicago, Illinois. Within five miles of his pharmacy, four chain drugstores and one big-box retailer compete for pharmacy business. Since the arrival of the third chain drugstore, MT has noticed a clear decline in his number of prescription customers. Sales in the store’s front-end have also declined.

After surveying several dozen of his loyal customers – MT offered a 5%-off coupon for any front-end purchase for each completed survey – MT reviewed the results. One of the questions he asked was “are you or is any member of your immediate family currently managing a chronic condition such as diabetes, high blood pressure, or COPD?” MT knows that chronic care patients are high-volume prescription purchasers and frequent pharmacy visitors.

Seventy-six percent of survey takers indicated that someone in their family is dealing with a chronic condition. Knowing this information about his current customers, MT then conducted a demographic survey of his pharmacy’s area. Specifically, he was searching for demographic markers of the type of population that typically suffers from a chronic condition: elderly, overweight, lower income, and others. He discovered that more than 40% of the population within five miles of his pharmacy matched two or more of the common characteristics of chronic condition patients.
Armed with this knowledge, MT designed an outreach program to build awareness that his pharmacy caters specifically to the needs of people with a chronic condition. He made certain that his outreach materials listed specific conditions so that potential customers would understand that he is in business to serve them.

MT trained his pharmacy staff about the typical needs of chronic care patients, including nutrition, supplementation, and OTC medicine needs. He also created a chart of common side effects from chronic-care prescriptions and educated his staff about OTC product recommendations they could make to encourage add-on sales to prescription pick-ups.

Over the course of two years and the addition of a fifth chain drugstore in his area, MT was pleased to see that his pharmacy’s sales – both prescription and front-end – had increased, and that he had become the destination store for chronic care patients. Many physicians in the area had begun referring their chronic care patients directly to him.

About the Author
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