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## Business Growth series: Part I

### - What does business growth mean for your pharmacy?



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#### Learning objectives:

After completing this CPD activity, pharmacists should be able to:

- Assess the potential of their business for growth.
- Develop a concept of what growth means to the business.

**Pharmacist competencies addressed:** 2.7, 3.1, 3.3.

**Accreditation number:** A1503RP3

Over the next six months, I will write a series of articles focused around the topic of business growth for community pharmacies. These are part of the Australian College of Pharmacy's CPD category, Business and People Builders.

*Of course you want to grow, but business owners can get so caught up in the day-to-day they lose track of what this really means to them and how they're going to achieve it. Here are some great tips to help you refocus.*

Everyone wants to grow their business, don't they? But, what do we mean when we talk about growth? Business growth is defined<sup>1</sup> as the process of improving some measure of an enterprise's success. Business growth can be achieved either by boosting the top line, or revenue, of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimising costs.

Many businesses focus on growing their sales, revenue or turnover. These are the big-number concepts that sound impressive and make us feel good. While it's important to monitor these trends, we also need to focus on profit growth over the long term.

Other ways we might measure growth include the size of our business in terms of employees, customer numbers, services provided, prescriptions dispensed. Store footprint (area), geographic reach, market share and product range may also be measures of growth. To determine which of these measures is most meaningful, it's important to consider these factors in light of your overall business strategy. Your goals need to be clearly defined in order to be monitored over time. Instead of a vague idea that you want to 'grow your business', a statement such as 'we want to double our revenue over the next three years' would be more useful.

It's also important to remember that growth in physical factors such as footprint, stores and staff doesn't necessarily translate into profit growth. Most approaches to growth also incur a growth in costs. Excessively rapid growth can

impact on cashflow, especially if that growth is funded by debt. So, these aspects need to be balanced, to ensure steady growth that is sustainable in the long term.

#### Pruning for growth

Just as a gardener prunes roses in the winter to ensure strong growth in the spring, you need to regularly prune back certain aspects of your business to ensure that, as a whole, it will flourish. It's easy to become caught up in the day-to-day tasks of your business and forget to stand back and focus on what's really important.

- Do you have sluggish processes that you could make more efficient?
- Do you offer a home-delivery service that costs you money without any direct benefit to the business? Delivery services attract both direct costs in terms of vehicle expenses and opportunity costs in terms of the lost sales potential of the delivery driver. You could perhaps improve the process by assessing your roster and your busiest times in-store and ensuring that the delivery vehicle is not on the road at this time and losing you sales in the pharmacy. Also, communicate to your customers that deliveries must be organised the previous day and can't be guaranteed at the last minute. This will help you further plan your resources and improve the process.
- Do you have one or two excellent products or services that aren't reaching their full potential?

Many pharmacies have beauty rooms that lie empty or full of boxes most days of the week. Have you allocated KPIs to your beauty room? Do staff have budgets for product sales as well as beauty services? How do you measure how the service returns profit to the business? Perhaps you would be better utilising this expensive retail space for professional services that provide a better financial return, higher levels of service to your more profitable clients, and improve the professional offer of your pharmacy.

- Do you have ineffective strategies or unprofitable products that you could eliminate altogether?

Can you really compete with the neighbouring supermarket on personal products such as shampoo and toiletries? If not, it's time to rationalise the area you allocate to these categories and replace them with pharmacy-exclusive products that will provide a better return. Remember, profit is the sum of *all* parts of the business. Therefore each category must perform and the deadwood needs to be chopped from the tree.

The great growth potential in your business may lie with a product that is currently underperforming. At the same time, you may be spending a lot of time and effort on something that produces little return and has limited potential to contribute to the overall success of your business.

For example, compare the relative performance of your unscheduled medicines area with your performance in the supply of 'pharmacist-only' medicines and 'pharmacy' medicines (S3 and S2 medicines):

- Which is more profitable?
- Which has more growth potential?
- Which has the least competition?
- Which one takes up more of your store footprint?
- Which one fits best with the overall value proposition for your business?

Do the answers make sense? If not, you may need to make some changes.

Research from the College in the S2/S3 mystery shopper program indicates that pharmacy assistants may not have adequate knowledge and training to identify where an S3 product would benefit a patient and provide greater return to the business. Evidence indicates that pharmacy assistants preferentially recommend unscheduled antacids and H2 antagonists for reflux, over and above referring the patient to the pharmacist for assessment of an S3 proton pump inhibitor. Proton pump inhibitors are proven to be more efficacious, provide a greater return on investment and cannot

be purchased next time from the supermarket. They are a win-win proposition. Are your staff trained to help facilitate their professional recommendation?

It's essential to regularly review your offering of products and services, your systems and processes, the way you interact with customers and the way you recruit and retain staff. As your competitive environment changes rapidly, all of these aspects of your business need to be revised. This ongoing review process helps you to identify potential growth areas so that you can direct your resources appropriately.

Every business has slack in some areas. This may vary seasonally or even on a day-to-day basis if you have certain times that are busier than others. At times when you have excess capacity, think about redirecting your resources to assist with growth opportunities.

Are your staff spending most of their day reorganising shelves and unpacking orders when they should be attending to the needs of your customers and working on business growth opportunities? Consider restricting these necessary functions to the slowest times of the day or after the store is closed. Focus staff on the task at hand: providing excellent customer service.

### Systems and processes

To provide capacity for growth, your systems and processes need to be scalable. The pruning principle also applies here. Only use those systems and processes that improve efficiency and effectiveness in your business. Any system you use should help you to do things in a way that serves your customers better, for example saving them time or money, or improving their health outcomes. Don't fall into the trap of using systems for systems' sake – they need to be useful and add value to what you do.

To scale your business, it's important that systems and processes are simple and well defined. They also need to be documented in some way. If your plans for growth involve handing work over to other people, you will need to have documented processes so that you can deliver your products and services in a consistent way. You can't grow your business if all the know-how is in your head.

Rather than just tacking a new process onto your existing systems, ensure that any new process integrates well with what you already do.

- Do you really need a new process, or could you adapt an existing one?
- When adding this process, is there an outdated process that could be eliminated?
- How will you ensure compliance with the new process?

For example, would changing from manual to automated dose-administration-aid packaging really improve your offer if you only have a small core group of clients that use this service? You might enjoy the new technology and time-saving, but your valued customers may not appreciate the change to their routine and look elsewhere.

There is no use having the world's best systems if no one uses them. Staff training and ongoing review, including customer feedback, are important to ensure the smooth running of your business.

### Investing wisely

As a business owner, you need to think of every dollar you spend in your business as an investment. You have a myriad of options when it comes to investing in the future of your business. Money is hard to earn, but easy to spend. Don't fritter it away on those things that won't contribute to growth. To fuel sustainable growth it's important to invest in those areas that improve capacity, such as staff

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training, professional development and customer relationships. These aspects require ongoing attention and nurturing, as the results are not always immediately evident. Don't be tempted to cut back on these developmental activities, they will pay off in the long-term.

Investing in your people is essential to lasting, sustainable growth.

Ensure you attract the best people by creating a workplace and a team that is vibrant. Be a business that the best people want to work for. Don't see staff development as an inconvenience or an unnecessary expense. Instead, if you see it as an investment in your future and a key way to retain your best people, you will see ongoing benefits to the growth of your business.

Investing in customer relationships is also essential to the growth of your business. Depending on the nature of your business, this activity will take different forms. Whether it's being involved in industry groups, attending conferences and events or engaging in social media, the investment you make in nurturing relationships with existing and future customers will bring long-term benefits. Neglecting these is an easy way to stunt your business growth.

While investing in areas that encourage growth, don't spend frivolously on those things that don't contribute to long-term success. Seek savings on commodity items, where the brand or image is not so important

to you. These may include stationery, fuel and phone services. Of course, how you define these depends on what business you are in. If you are a purveyor of high quality pens, then your stationery should reflect that image, but for everyday photocopying and printing in the office, an economical paper is appropriate.

As a business owner, you'll often be bombarded by service providers and product salespeople with the latest great thing to help your business. Be wary of what you spend your money on and always consider how your investment fits with your overall business strategy. Again, regular review is essential. Is that membership or subscription really of value, or could you invest that money more effectively elsewhere? When you're facing important decisions where the choices are complex, do your research and seek good advice to ensure the best outcomes.

### Looking ahead

When looking ahead, think carefully about what you mean by growth and what you choose to measure. Eliminate unnecessary and unwieldy processes and focus on your high-performing products and services. If you're serious about growing your business, you need to invest wisely and maintain a long-term focus. Concentrate on growth strategies that are sustainable, rather than seeking short-term gains at the expense of your future.

In the articles that follow over the next six months, we'll examine some of these aspects of business growth in more detail. <sup>Rp</sup>

### References

1. <http://www.businessdictionary.com/definition/business-growth.html>. Accessed February 2015.



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### Business Growth series: Part 1 - What does business growth mean for your pharmacy?

Accreditation number: A1503RP3



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Of course you want to grow, but business owners can get so caught up in the day-to-day they lose track of what this really means to them and how they're going to achieve it. Here are some great tips to help you refocus.

#### 1. Business growth means

- A) Increasing your revenues.      B) Increasing your store size.  
C) Increasing your number of stores.      D) Perhaps all of the above.

#### 2. Although it may seem counter-intuitive, 'pruning' can help you to grow your business by

- A) Helping you to focus on the most important areas.  
B) Creating mulch.  
C) Reducing wages costs.  
D) Ignoring customer needs.

#### 3. Scalable systems and processes

- A) Provide capability for business growth.  
B) Provide capacity for business growth.  
C) Require treatment with an anti-dandruff lotion.  
D) Will cost more than they are worth.

#### 4. The decision to invest in software should be based on

- A) The latest products available from your existing vendor.  
B) The best deal you can get from a new vendor.  
C) The best fit with your business needs and objectives.  
D) The most user-friendly option.

#### 5. Investing in staff training and development

- A) Creates increased capability for growth within your business.  
B) Is not worth the time and effort.  
C) Is the first thing to cut when sales are down.  
D) Should be a low priority.

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### Preparing your professional services for profit

Accreditation number: A1503RP4



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With the start of the new year and in preparation for the next Community Pharmacy Agreement, this is the ideal time to assess your current professional services offering and establish your direction for 2015.

#### 1. An integrated clinic is one in which:

- A) A clinic is held for a fixed period each week.  
B) A clinic consultation is embedded in the business workflow and is conducted at any time throughout the day.  
C) A one-off clinic is conducted by a third party to the pharmacy.  
D) The customer is offered a Professional Service.

#### 2. The first step in holding a clinic is:

- A) Background and feasibility.  
B) Planning and preparation.  
C) Set-up and training.  
D) Measurement and review.

#### 3. When preparing to run a clinic, which of the following roles are most important in ensuring success?

- A) Owner support and endorsement.  
B) Allocation of a designated clinic pharmacist with roles, responsibilities and specific tasks.  
C) Allocation of a designated clinic champion with roles, responsibilities and specific tasks.  
D) All of the above.

#### 4. When marketing and measuring your professional services, which is NOT one of the suggested steps?

- A) Identify your target market.  
B) Assess your levels of generic conversion.  
C) Consider the most appropriate marketing material.  
D) Measure success.

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### I taught you, why didn't you learn?

Accreditation number: A1503RP5



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The Pharmacist Competency Standards (Standard 1.5) covers the requirement for pharmacists to maintain and extend professional competence. It covers the need for understanding and acceptance of the concept of life-long learning and a commitment to continuous and professional development. The standards also call for pharmacists to support others in their development, which often means tailoring learning experiences and support for people with a very diverse set of existing knowledge, skills and experience.

#### 1. Key to the constructivist paradigm is the concept that:

- A) Learning experiences will mean different things to different people.  
B) Comprehension and retention rely on linking new concepts to existing knowledge.  
C) Learning is gained by problem solving.  
D) All of the above.

#### 2. The learning paradigm of constructivism involves learning new concepts as whole tasks, as opposed to learning sub-tasks in silo that are later linked to a larger task.

- A) TRUE      B) FALSE

#### 3. Each person in a learning event will have a unique learning experience. This is due to their:

- A) Prior learning.      B) Perception.  
C) Prior experiences.      D) All of the above.

#### 4. Using learning strategies that include real workplace activities and problem-solving approaches is referred to as:

- A) Real learning.      B) Authentic learning.  
C) Constructivist learning.      D) Actual learning.