FITCH

HOW PHARMACEUTICAL COMPANIES CAN BEGIN WINNING AT RETAIL

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INTRODUCTION

In January 2006, the Evening Standard ran the headline "Visit your family GP at the high street chemist". This, the paper said, is part of radical proposals to "allow the public to 'fire' bad family doctors and bring in private sector firms".

While only at the discussion stage, these proposals demonstrate a disruption in the way prescription drugs may begin to be distributed in Europe and beyond, and as such are of enormous significance to all in the pharmaceutical trade.

Traditionally, pharmaceutical companies have marketed prescription drugs directly to hospitals and GPs, but now there is a growing belief that this activity may soon include nurses, pharmacists, opticians and dentists. It is our view that, under these circumstances, it is time for pharmaceutical companies to take more responsibility for how and where their drugs are prescribed and distributed to end-users.

THE CASE FOR CHANGE

A typical mother of three makes between 6 and 10 trips a month to GPs, dentists, opticians and pharmacists. These trips are rarely to the same place, and are more often than not relatively bleak experiences for both mother and child. Most other adults have similar experiences, albeit on a less frequent basis, and despite this being people's first interaction with pharmaceutical companies' core products, the companies have little or no influence over the customer experience.

Today, with retailers and manufacturers collaborating to make access to their goods increasingly easy and far more experiential, the situation with pharmaceuticals seems somewhat out of touch. For example, if a consumer wants to purchase everyday provisions they know it will be catered for by one visit to the supermarket, if they are after fashion they visit the high street, large consumer goods (furniture, white goods etc) the out-of-town 'industrial estate', and, increasingly, for leisure/lifestyle goods they know to go online. However, for health and wellbeing consumers visit 4 to 5 different locations, often miles apart and with nothing to captivate them outside the primary function.

It could be argued that it is the role of medical professionals to address this situation, or perhaps the government, but maybe, as the Evening Standard intimates, it is an opportunity for the private sector to get involved. While health insurance companies and large high street pharmacists are clear candidates for any such move, we believe this also represents a golden opportunity for pharmaceutical companies to become more consumer-centric and generous in their outlook and by doing so earn a more visible presence at retail.

WHAT NEXT?

Becoming 'consumer brands' in the real sense of the phrase will not be easy for pharmaceutical companies. However, all is not lost, as demonstrated by BP over the last decade or so.

BP, once a pariah representing big business, pollution and third world exploitation has transformed itself into Beyond Petroleum, a company at pains to remind us of its good deeds and environmentally-friendly intentions. The resulting public goodwill has allowed the company to develop their forecourts beyond just petrol stations into more fully formed retail experiences which in turn has created a sense of community around the BP brand and its affiliated products.

Bearing the BP example in mind, there must surely be ways in which pharmaceutical companies could reposition themselves by using retail to genuinely affect the customer experience at the 'first moment of truth' - in the doctor's surgery, at the pharmacy and elsewhere.

One solution that could emerge would be to open multiple GSK or Pfizer medical centres where all the family would find their GP, dentist, optician and pharmacist, and where Mum would have plenty to keep her busy while she waited for her children to be seen. The brand or brands (no reason why major companies could not invest in this together) that own the centres could push their products through their own trained staff while making the whole experience far more pleasant and manageable for customers.

Moreover, this would save on sales staff endlessly touring the country from GP to GP, as well as ensuring that when pharmacists and nurses etc have the power to prescribe drugs they are all under one roof and beholden to the pharmaceutical company. The perfect solution!

Of course, government restrictions coupled with logistical factors make such a move, at least in the short term and on any reasonable scale, highly improbable. Despite this, there is much to commend the vision and many ways in which it can be interpreted to position pharmaceutical companies more favourably in the minds of the consumer.

For a start, pharmaceutical companies could look to influence the way that their brands are positioned at retail by creating prototype medical centres based on the model suggested above (perhaps initially as staff healthcare centres near company headquarters). Not only would the companies gain invaluable customer feedback and information, but also their sales staff would be able to witness first hand the daily trials and tribulations of their target clients – GPs, pharmacists etc.

Such centres would also act as a magnet for clients themselves, in particular pharmacists, who could be encouraged to visit the site, learn about products and experience the 'pharmacy of the future' – a concept demonstrating best retail practise. As well as creating a bond with pharmacists this initiative would indirectly enable pharmaceutical companies

to influence the end-customer experience, by handing out free, branded retail advise and collateral for pharmacists to implement at the point of purchase on their return.

Another format of the branded medical 'store' that pharmaceutical companies should consider is 'drop-in centres' for illness specific patients, something that there is an increasing need for in today's society. For example, oncology centres or diabetes centres, which would offer sufferers quick, specialised access to help and advise. As well as being highly consumer-centric and therefore brand enhancing, such sites would have universal government support – a key factor in the continued development of the pharmaceutical industry as a whole. Centres that catered for metabolic syndrome sufferers, for example, would be particularly welcome in UK, as they would relieve some of the enormous pressure on the NHS while helping to prevent heart disease through information dispersion, very much in tune with many pharmaceutical companies current policies of promoting behaviour changing and cessation plans for targeted customers (like smokers).

Moreover, by running these centres pharmaceutical companies would be able to monitor first hand the performance of their drugs once they have gone to market. With this information they would be able to prevent drug failures at an earlier stage and in turn build the confidence of their customer base and government regulators alike.

Finally, and most critically, by setting up branded medical centres addressing profound health issues, pharmaceutical companies would be in a position to finally understand the needs of all of the stakeholders who rely on their products – not just medical professionals and patients but also their families, friends and colleagues.

CONCLUSION

New regulations, heightened exposure and a more consumercentric business culture are driving pharmaceutical companies to come face-to-face with some crucial challenges. While they will always remain R&D focused, there is no doubt that those that do not embrace change will be at a disadvantage to those that do.

Becoming consumer-centric may be a difficult step for many pharmaceutical companies to take, but manufacturers in other industries have faced similar challenges, and, in general, those that have taken the initiative and learned the lessons of retail have prospered, as illustrated by companies like BP and P&G.

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