Zuellig Pharma is seeking to combine global trends and local know-how in pharmaceutical markets in Asia Pacific to boost retail sales for drugstores

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How to make pharmaceutical products fly off the retail shelf in Asia Pacific? Zuellig Pharma is set to bring together its knowledge of global trends and local expertise in markets around Asia to create fresh opportunities for both principals and customers to increase sales through innovative value-added services dedicated to increased self-through of retail products.

Under its Value Innovation team, led by Mr. Rolf Steffen, Managing Director, Operations and Value Innovation, Zuellig Pharma is planning to expand its activities further through the provision of Retail Management Solutions (RMS) to retail drugstores. Through the development of these enterprising services, Zuellig Pharma is seeking to reach out to the pharmacy level in different markets in Asia to boost awareness of retail operating strategies; raise customer retention and satisfaction; and increase turnover at retail outlets, which in turn increases sales for principals.

“Given Zuellig Pharma’s position as the leading pharmaceutical distribution company in Asia Pacific and our offices in countries across the region, our know-how and experience position Zuellig Pharma perfectly to develop many value-added services,” Mr. Steffen said.

“Zuellig Pharma has a detailed understanding of different social conditions and customer behavior in the pharmaceutical sector in many different markets in Asia Pacific, and we believe we are in an advantageous position to provide retail management solutions tailored specifically for each market. In this way, we hope to assist our business partners on both ends of the pharmaceutical supply chain to increase sales, creating an all-round win-win situation.”

Mr. David Boyce, Project Leader for Retail Management Solutions, said: “The development of RMS has been a key strategic decision for Zuellig Pharma. As an essential link in the supply chain of products from principals to drugstores, we are well positioned to add value to both.

"RMS has been developed as a major point of difference for Zuellig Pharma, and is already proving to be of significant interest to drugstores."

The services offered by Zuellig Pharma’s Retail Management Solutions team range from store design and category management to retail marketing and retail training, all of which are vital in the pursuit of sales, higher customer satisfaction and increased profitability, Mr. Boyce explained.

Store design

Getting the layout of a store right is the first step to increasing customer sales. Indeed, a shop’s layout will influence a customer’s behavior every time he or she walks into a retail outlet or approaches the sales counter. Products hidden behind the counter, for example, can make it hard for customers to see what is available for sale. Furthermore, retail pharmacies carry a unique proposition for customers. The fact that prescription medicine can only be bought from these outlets means that the majority of customers come to a pharmacy to make a purchase.

Thus, thought and care need to go into how a store displays its products in order to make customers not only more likely to purchase a product but to buy more items. The aim is to turn what is most often a single-product transaction into multiple-product transactions.

One of the ways that RMS aims to assist is by providing store design services to help drugstores move to the next level of customer experience.
In-depth planning includes positioning of products in store, point of sales counters, shelving, stock room, and store entrances in detailed layouts, complete with measurements. The emphasis is on providing customers with the most comfortable and convenient way to explore the shop’s products and decide on their purchases as well as order and collect prescriptions and talk to store personnel.

The same philosophies apply to both counter-style and self-service pharmacies. A good store design that makes a drugstore more attractive is the initial impetus for drawing in more customers, which in turn will increase sales.

**Category management**

Once the general layout of the store is complete, the next challenge facing retailers is the positioning of products on shelves so they are in easy view of the customers. RMS provides recommendations for grouping of product ranges (category adjacencies), especially if stores are selling pharmaceutical products and convenience store items.

“I often find in retail drugstores that similar products are in different locations in the store,” Mr. Boyce said. For example, infant milk should be next to diapers, which should be next to baby accessories. The same shopper purchases these products. More often than not, these products are randomly located throughout the retail drugstore.

The category management service involves defining what products sell and where to place products in the store and on the shelf. It includes:

*Category adjacencies*
Where similar categories should be displayed in a store.

*Product range*
What products are made available for sale based on detailed analysis.

*Shelf planning (or planograms)*
Which shelf products should be displayed.

This can be particularly challenging for pharmaceutical products that include both prescription and non-prescription medicines, and the different regulations surrounding their sale. Many drugstores have very limited space (as little as 20 square meters), which means category management needs to be extremely well managed to maximize sales.

For category adjacencies, the main aim is to place products that may be purchased by the same shopper close together to encourage customers to see more products that they would like to buy and request additional items from sales personnel.

With product range, it is important that stores carry the range of products that customers are most likely to purchase to ensure stock turnover and attract customers into a store due to the availability of products they want. If the wrong products are selected and do not sell, it can cost a retailer dearly in excess stock.

One key way that RMS can assist is through analyzing sales data. Through the use of POS data, the RMS team is able to recommend to individual drugstore owners which products should be carried, suggest products that are not selling well and should be removed, and introduce products that are selling well in other stores.

Sales analysis can also help with shelf planning. Customer buying habits have been found to include purchasing from left to right and looking at eye level shelves first. By pinpointing which products are moving fastest, it enables retailers to place the best-selling products in the most eye-catching position to encourage additional (impulse) purchases.

Win-win partnership that builds growth

Zuellig Pharma Retail Management Solutions services include:

**Initial revamp**
- stock counting
- category management (including SKU data analysis, category adjacency review)
- layout review/redesign
- launch activity/advertising (flyers)
- planogram implementation
- data clean/data alignment
- initial staff training

**Ongoing**
- bimonthly flyer
- monthly sales performing reporting
- regular district sales manager assistance
- regular planogram updates
- trade marketing assistance
- regular staff training

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the market partner
Members of staff need to be trained to manage new processes, systems and approaches to selling in order for such changes to be carried out successfully and to make the most of these changes once implemented. Such training may include retail basics, such as drugstore layouts; customer service; and marketing skills. This can not only increase customer satisfaction but keep staff motivated and interested in their work, helping employee retention.

By providing these core services for pharmaceutical retailers in Asia Pacific, Zuellig Pharma is endeavoring to build business growth in retail sales and increase turnover through raising professional standards and heightening the customer experience.

In line with its philosophy of fostering relationships with a view to the long term, our RMS service structure envisages the provision of ongoing support to ensure sustained development. “Department stores, supermarkets, convenience stores, large drugstore chains all understand and adopt these principles. They are the competitors of small independent and chain drugstores,” Mr. Boyce said. “It’s about time that small stores started to understand these strategies, and take steps to compete more strongly. A healthy industry as a whole means all players have the opportunity to prosper. RMS has the tools to facilitate this change. It is up to the industry to take advantage of them.”

Pilot project

In a recent pilot project in the Philippines, the RMS team set out to assist drugstores in the country to improve profitability amid changes in market dynamics that are reshaping the local pharmaceutical landscape.

The maximum drug retail price introduced in August 2009, for example, has brought a 50% price reduction for a large number of drugs. Such price cuts have hit smaller independent retail drugstores particularly hard, given that profitability was already hovering at 2%-3% margins. Added to reduced profitability is increasing competition and confusion over positioning (drugstore or convenience store) for many smaller retailers.

The project was developed over eight months, from December 2009 to July 2010, and involved independent retailers and chain stores. Implementation of the revamped individual retailers began in June, and the results are already pleasing.

“We have been delighted by the outcome,” Mr. Boyce said. “Stores are showing double-digit growth in what has largely been a declining market. We are now taking on board all that we learnt from this and will be seeking to roll out our RMS services on a broader scale in the near future.”

Outlook

Over 50 individual and chain stores in different areas of the Philippines have indicated interest in RMS. With such significant early interest, Zuellig Pharma will continue to rollout interested drugstores for the remainder of 2010, and into 2011 in the Philippines. Investigations are currently underway to identify other countries that may have a suitable market, ready to adopt these new services. More pilot studies in at least two other countries are being lined up to commence during 2011.

“The arrival of this new service underlines Zuellig Pharma’s commitment to long-term relationships with our principals and customers,” said Mr. Eric Zwisler, CEO, Zuellig Pharma Asia Pacific. “Zuellig Pharma never stops listening or looking out for ways to develop those relationships in a way that has a positive impact on all parties and can increase future business prospects for all within our partner network.”

To find out more about Retail Management Solutions services, contact Mr. David Boyce, Project Leader, Retail Management Solutions, at dboyce@zuelligpharma.com.