

In-store pharmacy numbers are increasing weekly in South Africa, and with them, the ability to extend primary health care into a greater proportion of the population. That, says Michael Harvey, MD of Clicks Group, was the driving force behind Government's strategy to allow corporate retailers to enter into the pharmaceutical dispensing sector.

It certainly seems to be working, though there is still some distance to cover. At this stage, the health services and offerings are growing all the time through retailers making their profound mark on the pharmacy environment.

## Status quo in SA

The Pharmacy Act of 1974 in South Africa only allowed for a pharmacy to be owned by an individual licensed and registered in one of four categories prescribed in the Act. This Act was then amended in 1997 and the amendments ratified in 2003. The new statute allows non-pharmacists to own pharmacies, provided that a registered pharmacist is employed to run them at all times. Since these legislative changes, major retailers have successfully moved into the pharmacy arena.

The status quo, which is approximate because of frequent changes, is that the Clicks Group has about 270 pharmacies. It has about 400 stores at this stage, and is still growing. The preference is to have a pharmacy in every store, but that's not always feasible as pharmacy licences are not always available. It's the biggest pharmacy retailer in the country and in 2009 had a pharmaceutical turnover of R1.5 billion. Last year, private label medicines formed 18% of the company's sales.

According to POPAI (Point of Purchase Advertising International), which is the only global, not for profit, trade association dedicated to the retail marketing industry, Shoprite follows with 104 MediRite pharmacies in selected stores. MediRite recorded growth on existing business of

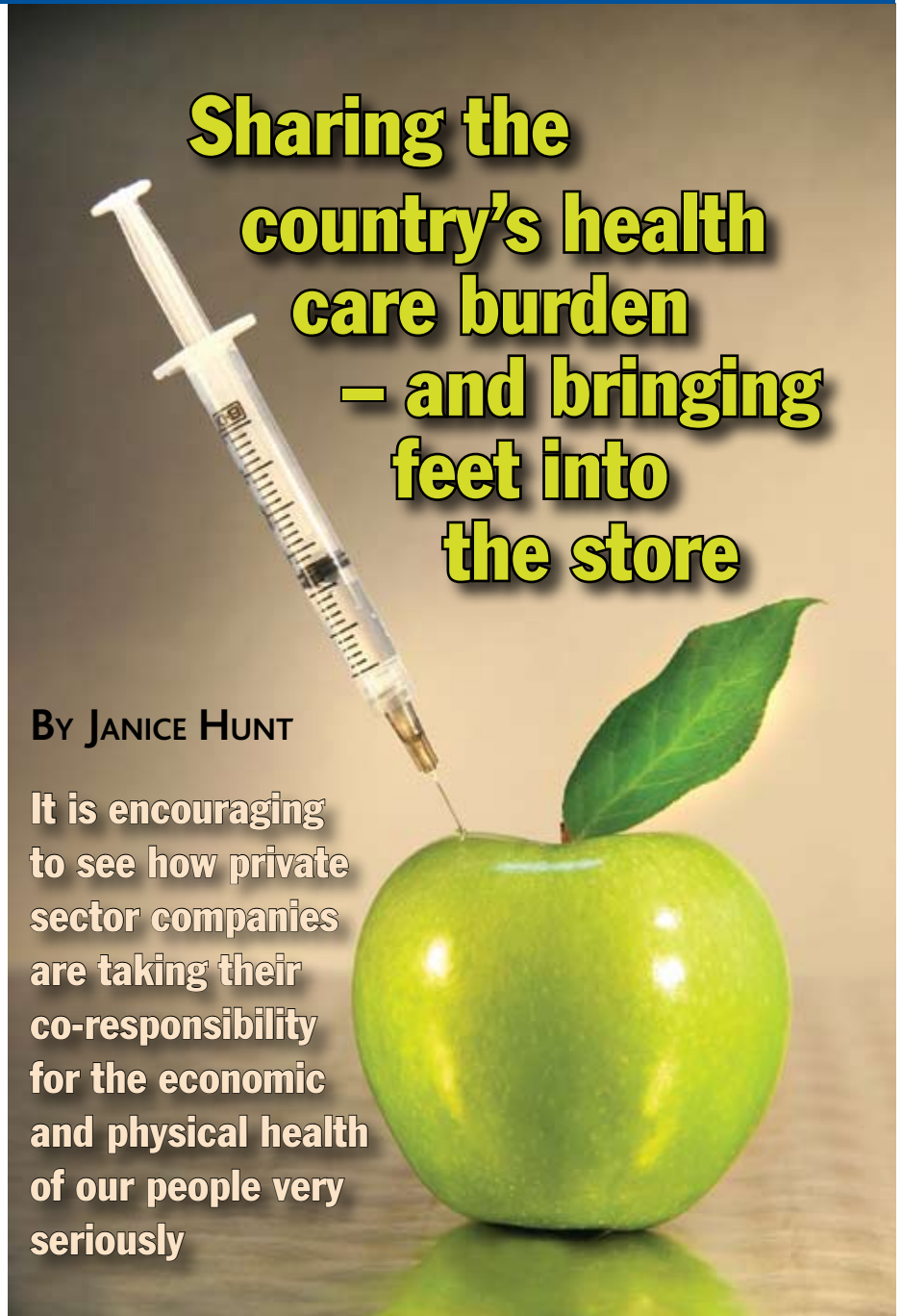
35% while total turnover increased by 60% due to the opening of 23 new pharmacies. Of the newly opened outlets, 11 are in supermarkets located in disadvantaged areas. MediRite dispensed 1.9 million prescriptions in the year ended June 2010. MediRite's success in a challenging market is ascribed to its pricing model, which is one of the lowest in the industry.

Pick n Pay has 18 in-store pharmacies, with plans in place for a further 40. Spar rolled out its pilot in-store pharmacy at Shelley Beach SuperSpar on the South Coast in August last year, and has opened a couple more since then. Dis-Chem has about 50 stores. Woolworths had three experimental in-store pharmacies but took itself out of the market with their closure.

## Sharing the country's health care burden – and bringing feet into the store

By JANICE HUNT

It is encouraging to see how private sector companies are taking their co-responsibility for the economic and physical health of our people very seriously



## Strong growth for in-store pharmacies

Pharmacy numbers have been growing steadily since the regulation changes were ratified in 2003, and are not abating. Though growth in the corporate retailing sector is strong, the balance of power in terms of pharmacy numbers still rests with the independent pharmacies. The ratio is 75% independent-owned pharmacies to 25% corporate-owned pharmacies. And in line with international trends, this ratio is shifting.

Pharmacy licences are issued on a strictly controlled basis by the Department of Health, taking criteria such as population and other pharmacies in the area into account. ▶



The Government's strategy to allow corporate retailers to enter into the pharmaceutical dispensing sector has enabled primary health care to be extended into a greater proportion of the population.

## IN-STORE PHARMACIES ►

While the corporate pharmacy business is not necessarily a money spinner with dispensing regulations that dim the appeal from a gross margin perspective, it has been proven to bring in customers.

### Clicks pharmacies

The original focus behind Clicks when it was launched 43 years ago was health, says MD, Michael Harvey. It was founded on the drug store model. Clicks spent many years bankrolling pharmacies before it was allowed to own them and when legislation allowed, it immediately set about integrating the pharmacy business into Clicks. Today the pharmacy in a Clicks store is its reason for being. It's not an add-on, as it can be in some major retailers. It gives the store its point of meaning.

Harvey, and Clicks Group as a whole, has clearly embraced the in-store pharmacy concept wholeheartedly. While he is quick to concede that the pharmacies are not the biggest profit earners in the stores, they're enriching the store offering significantly. They're bringing feet in and they're increasing loyalty.

Pricing of medication is tightly controlled by government legislation, which means the pharmacies are not at liberty to cut prices to bring in customers. Though there

is a little bit of leeway with the dispensing fee, which Harvey says that Clicks, and other chain pharmacies, do discount to an extent. Profit essentially comes from the front-end of the stores.

**The original focus behind Clicks 43 years ago was health. It was founded on the drug store model. Clicks spent many years bankrolling pharmacies before it was allowed to own them.**



### Health care and advice in-store

The big offering that Clicks makes to its customers with its pharmacies is health services from highly trained and professional personnel. "We're making sure our pharmacies are proper pharmacies that offer quality service and engender trust in customers. There was a concern initially that the launch of corporate pharmacies would see a drop in overall quality in the industry. We're making sure the opposite is the case. Part of our expansion strategy is to overcome negative attitudes towards corporate pharmacy, which is a reality."

Clicks pharmacies' professional and caring service has extended into clinics in 110 of its 270 pharmacies, though the company's medium-term aim, says Harvey, is to have 500 stores, each with a clinic and pharmacy.

New stores do open without pharmacies if there is a licence restriction or if pharmacists aren't available.

The clinics are tackling – over and above the normal range of convenient health care services for customers – major health issues in the country such as HIV/Aids and child mortality. About six months ago, in partnership with the Department of Health's HIV counselling and testing (HCT) programme, Clicks made all its pharmacies and clinics countrywide available for HCT. The aim of this collaborative initiative is to test 15 million people by June 2011. To date, Clicks has tested more than 20 000 people.

With South Africa being one of 12 countries worldwide where the infant mortality rate is increasing, Harvey is convinced that it is vital for the private sector to help the country to reach the Millennium Development Goal's target of reducing the mortality rate of under-fives by two-thirds and increased immunisation coverage to 90% by 2015. Clicks launched a Moms and Babies project through the Helping Hand Trust at Clicks Gugulethu



*Expanding their health & beauty departments to include a pharmacy and possibly a clinic has been a wise move by retailers who have taken the initiative. Even though profits may not be high in the pharmacy, the added service draws feet into the store.*

Square Pharmacy in February this year. Clicks is reducing the burden on state facilities and broadening access to health care by offering help for mothers and babies from less privileged communities, as well as those without access to medical aid. Free immunisation, baby feeding and nutritional advice, baby weighing and family planning is being offered at ►

*Although legislated medicine pricing doesn't vary hugely between stores, it's the whole shopping experience and added excitement of the range offered by discounters like Dis-Chem and Clicks, that sends people into the store.*



## CASE STUDY

# Shelley Beach SuperSpar Pharmacy

Spar is the latest retailer to extend its reach into the pharmacy arena with the opening in mid-2010 of the pilot branded Spar Pharmacy in Shelley Beach on KwaZulu-Natal's South Coast. Since then another has opened at the Cape Quarter SuperSpar in Greenpoint, Cape Town and more are on the cards.

Kevin Naidoo, Shelley Beach SuperSpar's pharmacist is enthusiastic about the new developments. The pharmacy had been operating as an independent adjacent to the Spar for some years. It has now been incorporated into the store and given a complete refurbishment with full Spar branding and décor. It's a success, says Naidoo. Customers soon adapted to this change and common practise for them now is to hand in their scripts, do their shopping, then pick up their medication and take everything through the checkout.

The seven staff members in the pharmacy, who all moved across from the previous pharmacy to the Spar store, are delighted with the new look, as well as the increased business; the number of customers and basket size have increased in the past few months. Initially the pharmacy sourced its stock independently, but as systems were implemented, it transferred

its ordering to the DC. Stock levels have increased since the change. Natasha Moolman, a retail analyst at RMB Morgan Stanley, believes it will not be a stretch for Spar to adapt its highly efficient logistical infrastructure to a new range of products such as is found in a retail pharmacy as it rolls out its pharmacies in other stores.

While the outward changes are dramatic, Naidoo says it's all about customer service. The pharmacy runs a clinic with a nursing sister throughout the store's opening hours, which features a 'My Doc' online service. If the patient presents with an ailment that the nursing sister cannot handle, the nursing sister can – if the patient agrees – access an online consultation with a doctor. The nurse carries out the routine checkups, and with the information provided, the doctor then gives a diagnosis and a prescription, which can be filled at the pharmacy. This adds a new dimension to the services offered in the pharmacy and is being extremely well-received, notes Naidoo.

Operating under the Spar branding is a powerful drawcard for the pharmacy, says Naidoo. The Spar image is strong and extremely positive; it translates well into the new pharmacy service.

## IN-STORE PHARMACIES ▶

Clicks Gugulethu Square on Thursday afternoons.

The project will soon be rolled out to selected stores countrywide, with the long-term goal of extending the services to mobile clinics for moms and babies in outlying areas. At the same time, 5% of the proceeds of Clicks-branded baby products marked with the Helping Hand logo will be donated to the Moms and Babies Trust.

### The Clicks difference

Beyond the professional pharmacy and clinic services that Clicks offers, Harvey



*The growing number of corporate pharmacies has affected independents dramatically. Maria Familiar, Christine Butow and Analia Talasca from Rhodes Park Pharmacy in Kensington say that their personalised service and a 'neighbourhood store' feel keeps their traditional community pharmacy going.*

## retail enterprise solutions

**Centrally Managed  
Inventory  
Merchandising  
Purchasing  
Debtors  
Creditors  
Financials**

**on time • on budget • cost effective  
user friendly • easy to implement**

[www.react.co.za](http://www.react.co.za)

3 Spring Street | Rivonia, Sandton | P.O. Box 78154 | Sandton 2146  
Tel: 0861REACTS (0861 732287) | Fax: 011 803-6184 | E-mail: [contacts@reacts.co.za](mailto:contacts@reacts.co.za)

 **react**  
solutions

lists the Clicks ClubCard – the largest loyalty programme in the country – as one of its Unique Selling Propositions (USPs) for its pharmacies. Last year, Clicks ClubCard signed up its three millionth active ClubCard member and 1.75 million ClubCard members have registered at the pharmacies. As Harvey points out, it engenders loyalty because it offers convenience, over and above the specials and loyalty points. “A customer from Gauteng can pop into a Clicks pharmacy on the South Coast and hand over his or her ClubCard and all relevant information, including scripts and history, is available on file. So it is ClubCard members who are making the most frequent visits to the pharmacies; they’re buying their health supplements and vitamins as well as picking up their chronic medication, and their basket sizes are increasing.” ClubCard members have a higher incidence of loyalty in dispensaries than in the front shop at a ration of 80% to 74%.

### A challenge

One of the challenges Clicks is facing as it grows its pharmacy business is the shortage of trained pharmacists in the country. Its strategy for this is to find independent pharmacists and encourage them to work for Clicks, eliminating their business risk and giving them excellent packages and more job security, explains Harvey. The company is also continually looking at innovative ways to encourage pharmacists and nursing practitioners to enter the profession, and to attract potential applicants, Clicks attends career days at high schools to provide guidance on job opportunities within pharmacy. They also provide fully sponsored bursaries for studies and guaranteed employment.



*There are now 104 MediRite pharmacies in Shoprite's supermarkets and Checkers Hyper stores, with more on the drawing board. According to Shoprite, the 11 pharmacies located in supermarkets in disadvantaged areas provide a community service by giving, on request, basic medical advice to low-income earners who don't have ready access to medical services.*

And into the future? "Our aim is to replicate a standardised service model throughout the country, making our health care consistent and affordable to all," states Harvey.

### Shoprite's MediRite

The MediRite chain of pharmacies within Shoprite's supermarkets and Checkers Hyper stores now number 104, with more on the drawing board. According to Shoprite, the 11 pharmacies located in supermarkets in disadvantaged areas provide a community service by giving, on request, basic medical advice to low-income earners who don't have ready access to medical services.

Shoprite believes that the fact that its pharmacies showed growth despite the recession, reflects not only its competitive pricing, but also demonstrates shoppers' growing confidence and trust in MediRite.

Shoprite reports that in December 2009 MediRite acquired Transfarm Pharmaceutical Wholesalers, which sells and distributes a wide range of pharmaceutical products and surgical equipment to hospitals, clinics, dispensing doctors, veterinary surgeons, as well as to private and corporate pharmacies. Transfarm, which is continuing as an independent business, is reducing

MediRite's dependence on other wholesalers and by the end of the reporting period some 90% of the chain's stock requirements were already being channelled through Transfarm.

The shortage of trained pharmacists in South Africa is hitting MediRite too, and in light of this, the company has been running a bursary scheme for matriculants studying pharmacology at tertiary institutions. At the moment, the group has close on 90 students committed to working at MediRite when they qualify.

### Independent view

Christine Butow, owner and pharmacist of Rhodes Park Pharmacy in Kensington, Johannesburg, says that the increase in the number of corporate pharmacies has affected independents drastically – to the extent that two have closed down in recent years in the immediate vicinity.


Stock levels of the traditional community pharmacy products that filled the shelves some years back have dwindled. Says Butow, "We can't possibly sell products at double the price of the local discounters; we don't have access to the buying power that they do, so our stock holding has had to reduce." A nearby Dis-Chem store caused the largest dent in Rhodes Park Pharmacy's customer base and while Butow concedes that legislated medicine pricing doesn't vary hugely between stores, it's the whole shopping experience and added excitement of the range offered by

the large discounter that sends people into the store.

But where Butow does make up the difference is in a highly personalised service to the pharmacy's customers, to the extent that it has a strongly 'neighbourhood store' feel to it. Many customers are greeted by name, and health issues are discussed and advised on. In the spirit of the store, second-hand books are freely available in one corner for loan. The store also offers a delivery service, which is welcomed by the bed-ridden, elderly and infirm.

Butow, who believes that it has been service that has kept her pharmacy going when others have closed, attributes the level of service to long-serving staff members; one with 32 years of service and the other with 17. It makes a difference to customers to know that they can rely on the same people helping them and advising them regarding health matters, particularly sensitive ones, maintains Butow.

### Last word

This goes to Theuns Botha, MEC for the Department of Health in the Western Cape, who stated at the launch of the Clicks Helping Hands initiative in Gugulethu that "it is encouraging to see, first hand, how private sector companies are responding to various conversations with the provincial government, and how they are taking their co-responsibility for the economic and physical health of our people very seriously." 



*Pick n Pay on Nicol was the first PnP corporate store to have an on-site pharmacy, complete with counselling room.*