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UTS: pharmacy **barometer**

November 2013

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Background

UTS: Pharmacy

UTS: Pharmacy was established in 2011 to address emerging needs of the pharmacy profession. As the first course area within the UTS Graduate School of Health, it provides an innovative, practice-based alternative for pharmacy education and research that integrates scientific rigour with technology and pharmacy practice. The Graduate School is a leader in various areas of research including the design, evaluation and implementation of community pharmacy business and professional practice models. UTS: Pharmacy is committed to producing career-ready graduates. Integrated problem-based learning, simulated environments and interdisciplinary workshops are used to help students apply theory and build their considerable skill set. A wide range of interdisciplinary electives give students the choice to specialise or diversify their skills to best suit their career needs. Committed to collaborative research that has a real impact on the pharmacy profession, our focus is on innovative practice-oriented research that improves the quality use of medicine and informs health policy.

Bankwest

Bankwest Pharmacy Banking Specialists have an in-depth knowledge of the pharmacy industry in Australia and make it their role to be financial experts to the industry. They have built solid, long standing relationships by understanding the specific issues and in particular the legislation facing practitioners in the pharmacy industry. Bankwest Pharmacy Banking Specialists work as part of an industry team that regularly discusses trends and best practices both internally and with industry experts. This enables them to create genuinely innovative products and services specifically for the pharmacy industry. With the goal of being simple and transparent, Bankwest can provide effective, value for money solutions. Building a depth of knowledge takes a lot of dedication which is why you may find some of their team attending the same industry conferences and meetings as yourself. This level of involvement means they can assist your business by leveraging our strong knowledge and contacts within the industry. Their specialists understand the cash flow, acquisition and equipment finance funding requirements of pharmacy businesses and can recommend and implement tailor made financial packages to meet your business needs. Their products are innovative, yet simple to understand and use, and their structuring expertise delivers flexible financing solutions.

Cegedim Strategic Data

Cegedim Strategic Data (CSD), part of the global Cegedim Group, provides business intelligence and market research to the pharmaceutical and biotech industry. The company offers a comprehensive range of syndicated and proprietary solutions and market research services to meet the needs of their customers. Their main offerings are: promotion audit – continuous audit of marketing investment by the pharmaceutical industry; patient data – longitudinal patient level prescribing data and patient database studies; market research – full service qualitative and quantitative studies via CAWI or CATI with hard to reach healthcare professionals. CSD's core strength is to integrate their secondary, syndicated data sources with proprietary primary market research to give clients a 360 degree view of their market. CSD has over a decade of experience in online research and offer large online panels of general practitioners, pharmacists, specialists, dentists and veterinarians.

The increasingly challenging environment for Australian pharmacies

In the next few years there will be a number of major changes that will have an impact on the delivery, focus and funding of health in Australia. These will include government-led national health care and PBS reforms that have the potential to significantly affect the distribution, funding and provision of pharmaceutical products and services. These changes will include:

- > Expanded and Accelerated Price Disclosure (EAPD) price reductions
- > Generic substitution
- > Changing remuneration systems
- > Discount pharmacy models
- > Medicare Local reform (local purchasing)
- > Wholesaler terms and conditions
- > Direct distribution
- > 6th Community Pharmacy Agreements
- > Shift from product based to service based
- > Retail trade trends
- > Patient self-management
- > Ageing population
- > Increased use of medications
- > Move to prevention

The future impact of all these factors on community pharmacy business and professional practice; and on individual community pharmacists and their supporting infrastructure are generally unclear. What is clear is that community pharmacist employees, community pharmacy owners and managers, and the pharmaceutical industry cannot continue with the current business and professional model.

Business models in community pharmacy are differentiating, driven initially by the retail success of the expert discounters, but now accelerated by the expected decline in dispensary income and the recent appearance of new professional service models. The depth of knowledge and impact of these coming changes on and by individual pharmacy owners and employees is unknown. Concurrently, the business model adopted by many pharmaceutical companies for acquiring loyalty, market share and sales through pure discounting mechanisms alone will be challenged

Accompanying all these changes there has been much debate, in the scientific literature, professional and trade journals and professional pharmacy and other stakeholder organisations, of the potential impact they will have on the pharmacy industry as a whole. An understanding of the perceived and the eventual impact of all these changes and their future effect on the professional and business strategy concerns many players including:

- > Community pharmacy owners and practitioners
- > Pharmaceutical companies and manufacturers (branded and generic)
- > Pharmaceutical wholesalers
- > Professional organisations
- > State and federal governments
- > Finance industry including banks, lending institutions and investors

These stakeholders will require accurate feedback and information on how this \$15 billion industry is developing and how it is likely to evolve.

“The accumulated evidence and the emerging trends from the three waves of the UTS Pharmacy Barometer demonstrate that the current model of professional and business practice for community pharmacy is undergoing major stresses. The model will not be able to survive so change is inevitable. The question challenging all is how will the pharmaceutical industry, pharmacy owners and the government react to maintain this valuable public health asset?”

Professor Charlie Benrimoj

The UTS Pharmacy Barometer

With industry challenges and perceived gaps in knowledge by pharmacists on the impact these upcoming changes may have on their business and professional practice, UTS: Pharmacy and Cegedim Strategic Data (CSD) developed the Community Pharmacy Barometer.

The UTS Pharmacy Barometer is the first comprehensive research tool available to all the stakeholders in the Australian Pharmacy industry designed to track the confidence, perceptions and opinions of pharmacy owners and employees.

Every six to twelve months, the UTS Pharmacy Barometer will track the viability of the pharmacy business, the profession, perceptions and opinions of the impact of the coming changes on the current and future value of pharmacies as well as researching in depth a key topic at each wave.

The UTS Pharmacy Barometer will measure opinions, perceptions, potential behaviours and ideas with data and verbatim comments from pharmacists and expert commentary from key leaders of Australian Pharmacy.

The expert panel includes: Head of the UTS Graduate School of Health and Professor of Pharmacy Practice, Professor Charlie Benrimoj, UTS Adjunct Professor John Montgomery and Pharmaceutical Society of Australia (PSA) Director, Warwick Plunkett. In addition to furnish financial advice we have added to the expert panel Bankwest Regional Manager, Paul Dwyer, who leads a team of pharmacy specialists who provide a full range of banking and financial services to pharmacy clients and Bankwest economist, Alan Langford.

For the initial benchmark UTS Pharmacy Barometer study, the focus topic was Price Disclosure. In the second wave the topic of service provision was addressed. This included exploring both successful and unsuccessful services currently or previously offered, as well as services to be offered in the future. Following on from covering services in general in this third wave the topic explored is a specific range of services, minor ailment services, as well as the advertising of Pharmacist Only, schedule 3 medications. In addition four questions were added to explore the financial management of community pharmacy.

Methodology and Analysis

The questions were designed to assess the confidence of pharmacists of their business in the short (one year) and medium-term (three years). The first wave report was completed in April 2012 with the additional topic focussing on Expanded and Accelerated Price Disclosure (EAPD). One of the most interesting findings in the inaugural study was the feedback surrounding a service-based model. The focus of the second wave, completed in October 2012, was therefore decided to be on service provision in community pharmacy. The current third wave, completed a year later in 2013, delves deeper into a specific range of services, focussing on minor ailment services. The survey for this wave 3 of the UTS Pharmacy Barometer was created in collaboration between Cegedim Strategic Data, University of Technology Sydney pharmacy expert panel and Bankwest financial experts.

Data collection occurred in September 2013, with the online questionnaire emailed to the pharmacists on CSD's online panel (a sample from the panel of 1,000 pharmacists that is nationally representative of the general community pharmacy population). Those who identified themselves as working in community pharmacy (majority of the time), and were either an owner, owner-manager, pharmacist-in-charge/pharmacy manager or employed pharmacist were eligible to participate. The questionnaire also captured the type of pharmacy the pharmacist spent most of their time in (independent, banner or buying group).

The survey was closed when 226 pharmacists had participated. Open-text questions were coded into themes that could communicate the main topics raised by the pharmacists.

Tables were produced for all questions with the following groups:

- > **Type of pharmacist** – Owner (combination of owner and owner-managers) vs. Employed (combination of pharmacist-in-charge and employed pharmacist).
- > **Age** – three age categories.
- > **Type of pharmacy** – Independent vs. Group (combination of banner and buying groups).

Certain questions were only offered to 'decision makers' (owner, owner-managers and pharmacist-in-charge/pharmacy manager n=200). The data were tested for statistically significant differences (z-tests for proportions and t-tests for means; both using a 95% confidence interval). Certain questions were analysed as cross-tabs, to investigate potential relationships and themes.

UTS Pharmacy Barometer

The UTS Pharmacy Barometer measure was derived using the following questions:

1. Do you believe the value of your pharmacy will increase, decrease or remain the same in the next year?
2. Do you believe the value of your pharmacy will increase, decrease or remain the same in the next 3 years?
3. On a scale of 1 to 10 where 1 is extremely pessimistic and 10 is extremely optimistic, how confident are you in the future viability of community based pharmacy?

The first two questions were only asked of 'decision makers' (owner, owner-managers and pharmacist-in-charge/ pharmacy manager n=200), while the third was asked of all pharmacists (n=226).

For the calculation of the Barometer only those who answered all three questions were included (n=171).

For each of the first two questions above, responses were assigned the following values:

Increase = 2
Remain the Same = 1
Decrease = 0

The sum of the values was calculated for each question and the sum divided by the total number of pharmacists who selected one of the three options for that question (i.e. an option other than 'not sure').

For the third question responses were assigned the following values:

Optimistic (rating of 8-10) = 2
Neutral (rating of 4-7) = 1
Pessimistic (rating of 1-3) = 0

The first two questions provided insights into the 'value' pharmacists foresee for their pharmacy and the third gives an emotional insight into their confidence in the future. We used 'value' + 'emotional insight' = 'Pharmacy Barometer' as the basis for providing a 50% weighting to the two value questions and a 50% weighting to the emotion (pessimism – optimism scale) question. As the first question refers to 'next year' (more immediate) and the second to 'next three years' (further away, shadowed with uncertainty), it was decided to distribute the 50% weighting for 'value' as 35% for next year and 15% for three year timeframes. The UTS Pharmacy Barometer incorporates these three weighted scores.

Financial Management

Four questions were used to evaluate financial management in the community pharmacy:

1. As a result of the PBS price cuts are you maintaining your gross margin in absolute dollars?
 - i. No, I am operating on a reduced gross profit in absolute dollars
 - ii. Yes, I am maintaining my gross margin in absolute dollars by increasing the price of products
 - iii. Yes, I am maintaining my gross margin in absolute dollars by purchasing products with improved terms.
 - iv. Other
2. Does your accountant or financial institution provide you with guidance or assist with the production and interpretation of any of the following reports to help you manage your business finances?
 - i. Cash flow projections yes / no
 - ii. Integrated management information system yes / no
 - iii. 3 way integrated financial accounts yes / no
3. What are the key areas of speciality you look for in a financial advisor?
 - i. Specialist understanding of finance / accountancy
 - ii. General understanding of the pharmacy industry along with specialist understanding of finance and accountancy
 - iii. Specialist understanding of the Pharmacy industry along with specialise understanding of finance and accountancy
4. As you believe the value of your pharmacy business will decrease over the next 3 years, what discussions are you having with your financial advisors to maintain your capital structure and viability of your business? (Answered only by those responding with "B. decrease" at Q6) (you can tick more than one)
 - i. I have not discussed this with my financial advisor
 - ii. I have discussed this with my financial advisor, however I was not offered any concrete advice that I could act upon
 - iii. I have discussed this with my financial advisor, and was given advice that has helped me maintain the viability of my business

Minor Ailments and S3 advertising

Eight questions were used to evaluate pharmacists' views on the provision of minor ailment services in the community pharmacy:

1. To what extent do you believe that minor ailments are a potential avenue for growth?
 - a. Which are the three main minor ailments where you envisage this growth to come from?
2. What strategies do you use and/or envisage using to grow this market?
3. What are the three main barriers currently preventing you from playing an expanded role in minor ailments? (Up to 3 responses allowed)
 - i. Lack of time
 - ii. Lack of funding
 - iii. Insufficient pharmacy protocols around managing these conditions
 - iv. Lack of training on how to play an expanded role
 - v. Insufficient staffing to service
 - vi. Retail pharmacy set up not conducive
 - vii. Other
please list.....
4. What support would you require to provide a more formalised minor ailment service?
5. Where would you prefer this support to come from? (you can tick more than one)
 - i. Pharmaceutical Society of Australia
 - ii. Pharmacy Guild of Australia
 - iii. Pharmaceutical companies
 - iv. Government
 - v. Any other
6. Would you like to see the number of products in Pharmacist only (S3) product range expanded?
 - i. Yes
 - ii. No
 - iii. Not sureIf yes which type of products
.....
7. Do you think that S3 products for minor ailments should be advertisable?
 - i. Yes
 - ii. No
 - iii. Not sure
8. Would you support information type advertising* to the consumer for S3 products (excluding codeine combination analgesics and PSE containing products)?
 - i. Yes
 - ii. No
 - iii. Not sure

*A pre-determined set format where there is an even balance in the communication between, the role of the pharmacists in determining whether the therapy is appropriate, disease state education and information about the product including brand name.

Members of the UTS Pharmacy Barometer Expert Panel



Professor Shalom (Charlie) Benrimoj

Head, Graduate School of Health and Professor of Pharmacy Practice University of Technology, Sydney and Emeritus Professor, the University of Sydney

Professor S.I. (Charlie) Benrimoj B.Pharm (Hons), Ph.D. F.P.S., FRPSGB, FFIP is Head of the Graduate School of Health, University of Technology Sydney. Previously, he was the Foundation Professor of Pharmacy Practice, Dean of the Faculty of Pharmacy and Pro-Vice Chancellor (Strategic Planning) University of Sydney. He is a visiting professor at the University of Granada. His research interests encompass the future of community pharmacy and professional cognitive pharmaceutical services including the clinical, economic and implementation aspects of cognitive pharmaceutical services from community pharmacy in current and emerging health care systems. He has published over 110 papers in refereed journals, 20 major research reports and co-authored 200 conference presentations as well as a book "Community Pharmacy: Strategic Change Management" (2007). He was the Australian Pharmacist of the year in 2000 and awarded the Andre Bedat 2010 by the International Pharmacy Federation. He has been elected a Fellow of the Pharmaceutical Society of Australia, Royal Pharmaceutical Society of Great Britain and International Pharmacy Federation.



John Montgomery

UTS Adjunct Professor

John Montgomery has over 30 years' experience in the pharmaceutical industry including the US, UK and Australia. John was previously CEO of Alphapharm from 1999 to 2010 and Regional Director of Merck Generics, Asia Pacific and then President, Mylan Asia Pacific during the same period. Latterly John was General Manager of Pfizer Established Products for Australia and NZ. Before Alphapharm, he spent 20 years with Warner Lambert in a variety of roles including Regional President Australia and NZ. He was Chairman of the Generic Medicines Industry Association (GMiA) for 5 years. John is an Adjunct Professor of Pharmacy at the University of Technology, Sydney and is Managing Director of STADA Pharmaceuticals Australia, a subsidiary of STADA AG.



Warwick Plunkett

Director and past-President, Pharmaceutical Society of Australia

Warwick Plunkett is a director of the Pharmaceutical Society of Australia (PSA), having served as National President for the past three years. He is also proprietor and partner in Newport Pharmacy on Sydney's northern beaches, a director of Plunkett Pharmaceuticals and a consultant to a pharmaceutical company. As a director of PSA, Warwick has a day-to-day involvement in the broad scope of all matters involving pharmacists but on a personal level he lists his three main areas of interest as being community pharmacy, organisational pharmacy and the pharmaceutical industry. His major achievements include the establishment of the Self Care program, and the unification of PSA.



Paul Dwyer

**Regional Manager, Bankwest
Commercial Banking NSW**

Paul Dwyer has 20 years experience in Corporate and Commercial Banking. He has undertaken a number of roles within the Banking Industry, as well as having run his own distribution business. He has a strong interest in helping small business grow with an emphasis on financial and capital management, as well as the ongoing professional development of business owners. He currently manages a team of Pharmacy Specialists, who provide a full range of banking and financial services to pharmacy clients.



Alan Langford

Chief Economist, Bankwest

Alan Langford joined Bankwest in 1989 as an Economic Research Officer, and was appointed Economist in 1990. Alan provides advice to the Bank on the implications of economic and financial market trends.

Alan is actively involved with a number of professional advisory bodies including; State Councillor for the Committee for the Economic Development of Australia (CEDA), WA branch Member, advisory board of the School of Economics and Finance at Curtin University and a Senior Fellow, Financial Services Institute of Australia. Alan holds a Bachelor of Business Degree majoring in Financial Management and Economics from Curtin University, and a Graduate Diploma in Applied Corporate Finance and Investment from the Financial Services institute of Australia (Finsia).

Executive Summary

The UTS Pharmacy Barometer was created by UTS: Pharmacy and Cegecim Strategic Data. It is an ongoing study that will be conducted periodically to track the confidence and opinions of pharmacy owners and employees as well as investigate in depth a current topic. The focussed topic for this wave was minor ailment services.

The third wave of the study was conducted in September 2013, with pharmacists drawn from the CSD panel comprising 226 respondents.

Results were:

- > **The UTS Pharmacy Barometer score was 61.2 out of 200** (a score of 100 represents neutral confidence) indicating community pharmacy is currently somewhat pessimistic about the future of pharmacy.
- > The overall confidence has declined over the past twelve months, from wave 2 at mean 5.7 to wave 3 at mean 4.8 out of 10. The majority continue to rate their confidence as neutral, representing apprehension, suspicion or uncertainty regarding the future.
- > There is a dramatic increase in the number of pharmacists who believe their pharmacies will decrease in value in the next year (34% in wave 2 to 63% in wave 3) and a similarly large decrease in the number of pharmacists who believe their pharmacies will increase in value in the next year (17% in wave 2 to 6% in wave 3).
- > The majority of responding pharmacists in wave 3 predicted the value of their pharmacy will decline in the next year by an average of 19%. The overall sentiment for the short-term is a substantial reduction in the value of community pharmacies.
- > Similarly the percentage decrease in value of pharmacy businesses in the next three years was predicted to be on average 23%. This has contributed largely to the drop in overall confidence and the Pharmacy Barometer Index since wave 2.
- > In wave 3 we are seeing that pharmacists are now living with the impact of price disclosure, increased competition and reduced margins and as such the majority believe their pharmacies will decrease in value in the next year, and in three years' time.
- > Almost two thirds (64%) of the owners believe their businesses are operating on a reduced gross profit in absolute dollars.
- > The pessimistic views in community pharmacy about community pharmacy must inevitably have negative consequences for the profession. It is not surprising that professional organisations and its leadership appear to be struggling to actively address this issue.

- > The majority of respondents across all pharmacist types require a financial advisor that has both a specialist understanding of the pharmacy industry and a specialist understanding of finance and accountancy.
- > Over 20% of owners do not seek help from a financial advisor, despite the fact that 63% believe their pharmacy will decrease in value in the coming years.
- > The greatest opportunity seen by pharmacists in the next three years is in service provision, while generics appear to have dramatically declined in potential.
- > There is mixed opinion regarding the potential for growth of minor ailment services by community pharmacy, with the potential being rated a mean of 2.9, on a scale of 0 to 5 (with 0 being no potential and 5 being the greatest potential).
- > Pharmacists continue to look at traditional areas for future growth amongst minor ailment services. The three areas envisaged as potential for growth are respiratory (29%), pain (23%) and dermatology (22%).
- > There was a fairly even distribution of preferred support sources for minor ailment services. It appears pharmacists see the pharmaceutical industry as an integral part of and support for practice change in the minor ailment market. Despite being the least preferred option the government remained as an important source of support.
- > There is strong support for expanding the Pharmacist Only (S3) range of products.
- > It is apparent pharmacists do not support mainstream advertising of S3 products, however the majority (approximately 60%) would support information type advertising to the consumer for S3 products (excluding codeine combination analgesics and PSE containing products).

UTS Pharmacy Barometer

The UTS Pharmacy Barometer was developed to enable stakeholders in the Australian pharmacy industry to track the perceptions of pharmacists' business confidence.

The weighted score is in the range 0 to 200, where 200 represents maximum confidence and 100 a neutral score. The October 2013 UTS Pharmacy Barometer score was 61.2 (October 2012 Barometer was 86, and April 2012 Barometer was 84.8), indicating a significant decrease in confidence by pharmacists. It appears that the true impact of Expanded and Accelerated Price Disclosure (EAPD) can now be felt; pharmacists are clearly experiencing the financial impact on their businesses and are gaining an understanding of the continued pressures future cycles of EAPD will produce.

Compared to 86 in wave 2 and 84.8 in wave 1, a substantial drop in overall confidence is reported. It appears obvious that this increase in pessimism is driven by the large drop in the value of their business. The predicted percentage value drop of pharmacies at one year and in the next three years shows the greatest change between the previous two waves and wave 3 and this contributed largely to the drop in overall confidence and the UTS Pharmacy Barometer Index.

The results of this survey indicate a large increase in the number of pharmacists that believe they will not be able to sustain the value of their businesses in the next twelve months. This trend continues for their forecast in three years. However, the percentage that is "unsure" also increased, reflecting uncertainty

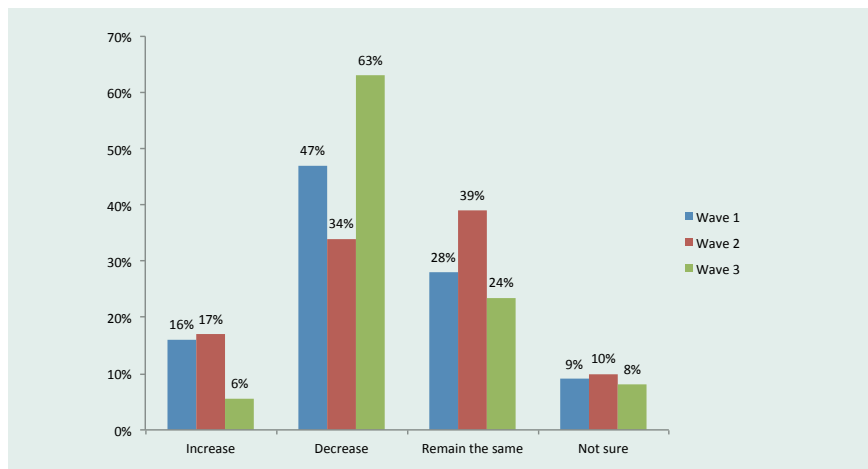
in the market. Pharmacists have now experienced the first true impact of reduced dispensing profits and have not yet developed strategies to change their businesses sufficiently to maintain the value of their businesses in the next twelve months.

As the period of intense economic pressures continues, pharmacists indicate a move towards service provision as the greatest opportunity for the future. Regrettably, they indicate no clear understanding of, or strategies for implementing this change.

This report details the primary findings of the third UTS Pharmacy Barometer.

“Will the value of your pharmacy increase, decrease or remain the same at one year and three years from now?”

Figure 1: Expected value of pharmacy in the next year (wave 1 vs. wave 2 vs. wave 3)



Expert commentary

“The penny seems to have definitely dropped regarding the negative impact on profitability arising from price disclosure. Unfortunately the vast majority see no immediate replacement for the predicted 20% decline in value. The brief optimism of a year ago, when discounts from off patent PBS blockbuster medicines were more than off-setting the initial impact of price disclosure, has now completely disappeared.”

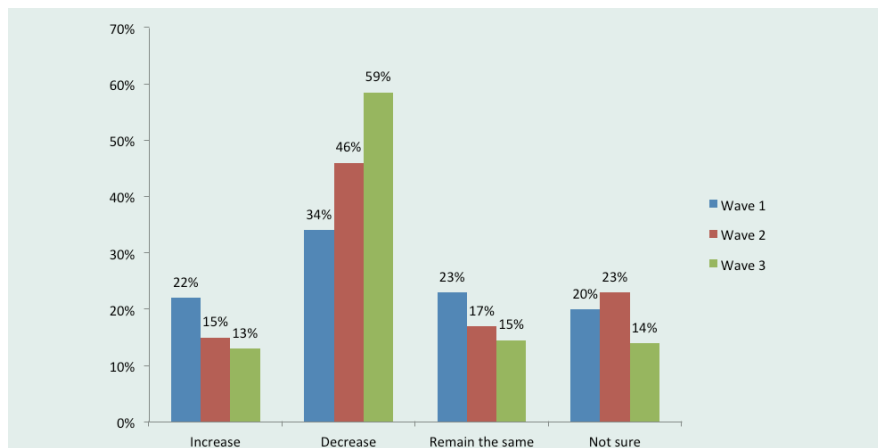
Warwick Plunkett

There is a dramatic and significant increase in the number of pharmacists who believe their pharmacies will decrease in value in the next year (34% in wave 2 to 63% in wave 3) and a similarly large decrease in the number of pharmacists who believe their pharmacies will increase in value in the next year (17% in wave 2 to 6% in wave 3).

When wave 1 was conducted, price disclosure had only just begun, and one can deduce from the data that some pharmacists were unsure of the true impact of EAPD and what lay ahead, with only 47% believing pharmacies would decrease in value. Six months later wave 2 data was collected while EAPD was in full swing, but the major reductions in prices were yet to occur. Consequently some pharmacists may have been unaffected or even better off than previously as a result of maintaining discounts with their suppliers, thus providing them with a false picture of the future impact of EAPD. In contrast in the past year many price reductions have occurred due to price disclosure and wave 3 results illustrate the effect. The percentage of pharmacists believing the value of their business would decrease rose by 16% from 47% in wave 1, and rose by 27% from 34% in wave 2, to 63% in wave 3.

Across all three waves there has been a minority who consider the value of their pharmacy would increase in the forthcoming year. Nevertheless in wave 3 this percentage has plummeted from 17% to 6%. The number of pharmacists who are unsure has remained steady at approximately 10%.

Figure 2: Expected value of pharmacy in the next three years (wave 1 vs. wave 2 vs. wave 3)



Expert commentary

“The data on expected values show that the rose coloured glasses worn by some during the previous two waves are now gone. Reality is setting in.”

John Montgomery

“There is an urgent need by the profession to develop strategies to ensure that pharmacy does not continue on this financial decline. There could be major consequences on the evolution of the profession with resulting negative impacts on primary health care to the Australian community.”

Professor Charlie Benrimoj

In wave 3, pharmacists are now living through the impact of price disclosure, and the majority believe their pharmacies will decrease in value in the next year (63%) (figure 1), and in three years (59%) (figure 2). In contrast in wave 2, the percentage who believed their business would reduce in value at one year was lower (34%), but increased for three years (46%).

Correspondingly to the increase in those believing their pharmacy will decrease in value in three years, there has been a decrease in the percentage who believes their pharmacies will increase in value, from 22% to 13% (wave 1 to wave 3). Interestingly as more experience is gained in terms of the impact of accelerated price reduction and other market changes the percentage of uncertain pharmacies has dropped to 14% at the 3 year forecast. As expected there are fewer pharmacists unsure on the one year impact (8%) that at the three year forecast point (14%).

As with previous waves the major questions still remain:

- > What impact will this have on the willingness of financial institutions to provide investment for the future?
- > What impact will this have on the market value of pharmacies?
- > Will younger pharmacists wish to buy a pharmacy business?
- > Will this affect the ability of pharmacy to compete in healthcare service and product provision, and for other goods in the retail environment?
- > If there are closures how will the accessibility of pharmacies be affected?
- > What impact will there be on the accessibility of primary health care services to the Australian community?
- > What long term effects will occur at the professional level?

“What change in value do you expect for your pharmacy”

Figure 3: Average changes in value expected in the next year (wave 1 vs. wave 2 vs. wave 3)

		Wave 1	Wave 2	Wave 3 (n=11)
Expected value of pharmacy will INCREASE in the next year	Maximum	30%	30%	50%
	Mean	15%	10%	17% (sd.17.2)
	Minimum	2%	0%	2%

		Wave 1	Wave 2	Wave 3 (n=124)
Expected value of pharmacy will DECREASE in the next year	Maximum	-40%	-50%	-50%
	Mean	-16%	-17%	-19% (sd.9.4)
	Minimum	-5%	0%	0%

Expert commentary

“The decrease in value, you can presume, is linked to a decrease in profitability, and if the average drop is about \$90k as stated by a number of pharmacy observers then 20% reduction reported in the Pharmacy Barometer is quite a realistic percentage drop. If pharmacies do nothing this is what will happen. It appears pharmacies are floating around believing they cannot combat the drop in one year.”

Warwick Plunkett

The actual price reductions from Price Disclosure are largely driven by the level of generic discounts. The higher the discounts the greater the price reduction. If discounts stay high, then the price cuts will be even more brutal.”

John Montgomery

***Note: There were two outlier pharmacists. One who said their pharmacy would decrease by 90% and another by 80% for both 1 and 3 years. These are not included in the above figure.**

Pharmacists that believed their pharmacy would decrease in value in the next year predicted the percentage value change would be on average a 19% reduction, this is compared to a 17% reduction in wave 2 and 16% in wave 1. Less than 10% of pharmacists (n=11) believed their pharmacy would increase in value, yet these pharmacists predicted a larger increase in value than previously, as shown by the percentage increase rising from 10% in wave 2 to 17% in wave 3. The industry appears to be polarising slightly, with the small number of pharmacists who believe their business is going to do better in the next year, predicting an increase in value more than those in previous waves. Furthermore those that believe the value of their business will decrease, think it will decrease by a greater extent than those in waves 1 and 2.

**Figure 4: Average changes in value expected in the next 3 years
(wave 1 vs. wave 2 vs. wave 3)**

		Wave 1	Wave 2	Wave 3 (n=11)
Expected value of pharmacy will INCREASE in the next year	Maximum	50%	30%	50%
	Mean	18%	15%	17% (sd.11.7)
	Minimum	5%	7%	3%

		Wave 1	Wave 2	Wave 3 (n=124)
Expected value of pharmacy will DECREASE in the next year	Maximum	-50%	-60%	-70%
	Mean	-19%	-20%	-23% (sd.12.2)
	Minimum	-5%	-4%	-1%

The magnitude of change predicted by those who thought their pharmacy would increase in value was fairly consistent between the three waves. Although there is a slight decrease in the number of pharmacists who made this prediction, decreasing from 22% in wave 1, to 15% in wave 2, and 13% in wave 3. This appears to be a group of pharmacists who appear to be positioned or who are positioning themselves for the future.

However, the majority of responding pharmacists predicted a decrease in the value of their pharmacy in three years' time. The percentage value drop is greater than previous waves, moving from 19% reduction in wave 1, to 20% in wave 2 to 23% in wave 3. The overall sentiment for the medium-term is a substantial reduction in the value of community pharmacies indicating that at least for the moment and with no changes, community pharmacy will be in a period of decline

The view from pharmacy

Pharmacists were asked to indicate the reasons for their predicted change in value of their pharmacy.

Predicted a decrease in value

The most prominent themes for those that predicted a decrease in value were:

- > Changes in government funding/EAPD/PBS/lack remuneration for services
- > Competition from discounters
- > Increase in costs (rent and wages)

"The model we have at the moment is not sustainable long term. We must replace our reliance on the dispensary with alternatives free from Government restraints."

"Decrease in profits from S4 products. Decrease in profits from S2 and unscheduled products due to supermarket availability of products and big box discounters. Overall less customers and smaller margins."

"Lower turn over from the PBS reduces the turn over and value. Increased risk in the industry will reduce buyer confidence and reduce overall pharmacy sale prices"

"PBS price changes, products that need to be purchased directly from companies rather than wholesalers, increase in staff wages, competition with warehouse pharmacies."

"Competition government cuts/lack of time lack of funding to implement professional services."

"Poor remuneration for services provided by pharmacy sector. A governmental attitude that the profession is only about providing product and the artificial bifurcation of "supply" and "professional" services. Some pharmacy representative groups harming professional practice through ill-informed attempts to set the public agenda (example: PPA in recent price disclosure matters)."

"Rent will increase 4%, wages will increase via CPI, prices of KVI and many private/sub PBS threshold items are being pushed down by discounters, PBS margins are continually falling. Some growth will occur via customer numbers and revenue. But will be offset by the lowered gross profit dollars."

"Chemist Warehouse destroying every other pharmacy in the area; lack of patient and government support."

"Decrease net profit due to price reductions – come straight off the bottom line applying the universal 5 x net profit for the value of your business suggests that it could be up to 20%."

"Net profit will be reduced as a result of increased expenses (especially wages) and decreased remuneration. This will reduce the valuation based upon traditional return on investment (ROI) calculations. Together with reduced industry and bank lending confidence, I expect that demand to purchase pharmacies could reduce and ability to obtain finance to become more difficult, overall resulting in a reduction in ROI percentages applied to valuations too."

Predicted an increase in value

The most prominent themes for those that predicted an increase in value were:

- > Services/professional model of practice
- > Increase market/aging population

"Location and model of practice."

"Aging population, expansion of services."

"We are aiming to increase our level of service to maintain our turnover however our profitability is being eroded by higher costs and decreased margins."

"New management, shop fit-out and better training of staff."

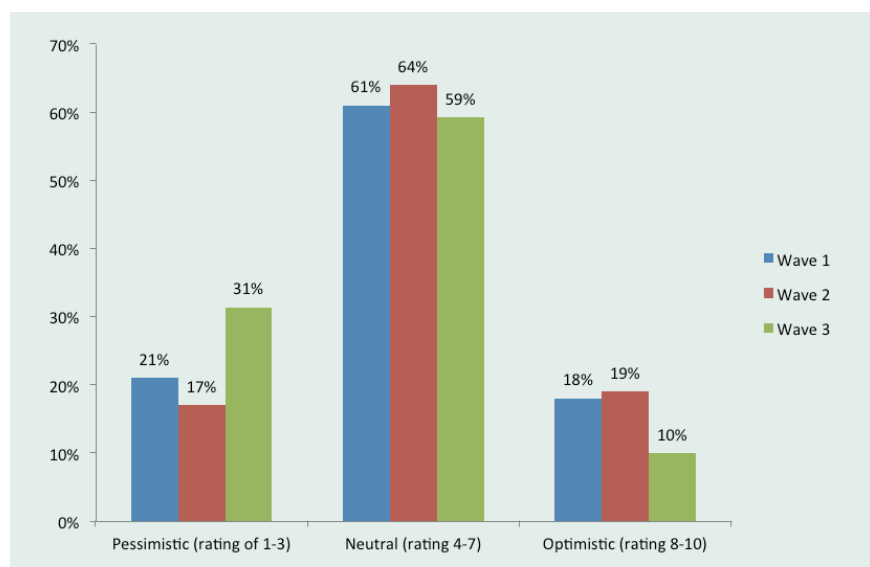
"Profit from front of shop will improve as we become better retailers. Professional services should make up for lost script earnings."

"Expansion of services and facilities of our pharmacy. Increasing population of patients requiring services and no immediate providers to cope with the increased demand."

"I intend to develop my professional services to achieve a positive financial return on my time and I am positive that a lot of pharmacies would have done that in next 3 years' time as well. Goodwill will start to go up again."

Confidence in the Future

Figure 5: Pharmacists confidence in the future viability of community-based pharmacy (wave 1 vs. wave 2 vs. wave 3) (n=223)



Expert commentary

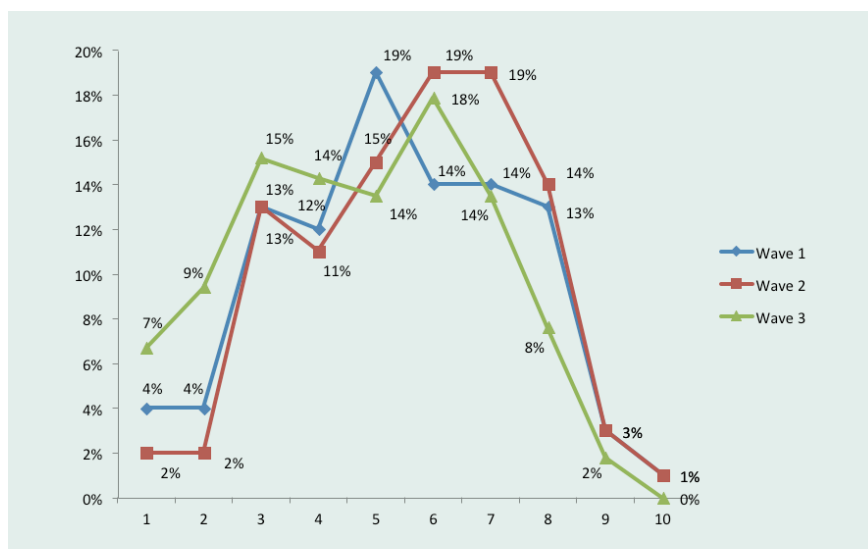
“There has been a significant drop in confidence over the past year. Most appear to clearly see the financial problems ahead but few are confident they can be addressed. This was greatest amongst the employee pharmacists.”

Warwick Plunkett

Pharmacists were asked to rate their confidence in the future viability of community pharmacy on a 10-point scale. wave 3 shows a significant move towards pessimism; there was a 14% increase in pessimistic ratings (ratings of 1–3) and a 9% reduction in optimistic ratings (ratings of 8–10). The majority continue to rate their confidence as neutral (ratings of 4–8), representing apprehension, suspicion or uncertainty regarding the future. The confidence overall was rated as mean 4.8 out of 10. The negative potential effects on the profession of the pessimistic views in community pharmacy about community pharmacy must inevitably have negative consequences on the profession. It is surprising that professional organisations appear not to be actively addressing this issue.

“On a scale of 1 to 10 where 1 is extremely pessimistic and 10 is extremely optimistic, how confident are you in the future viability of community based pharmacy?”

Figure 6: Distribution of confidence (wave 1 vs. wave 2 vs. wave 3)



Expert commentary

“Employees appear fearful of their future with salaries declining and with owners not reacting to change their businesses other than reducing rent and/or salaries.”

Professor Charlie Benrimoj

“This reflects the realisation that revenue from generic medicine discounts is in increasing decline and that the best opportunities to replace lost revenue lie in the area of delivering new professional services. The dollars are very much front of mind with most responders reporting falling revenue from the impact of generic price disclosure and competition for FOS business from discounters and supermarkets. Workload stress, pharmacist oversupply and declining wages are also big issues for employed pharmacists.”

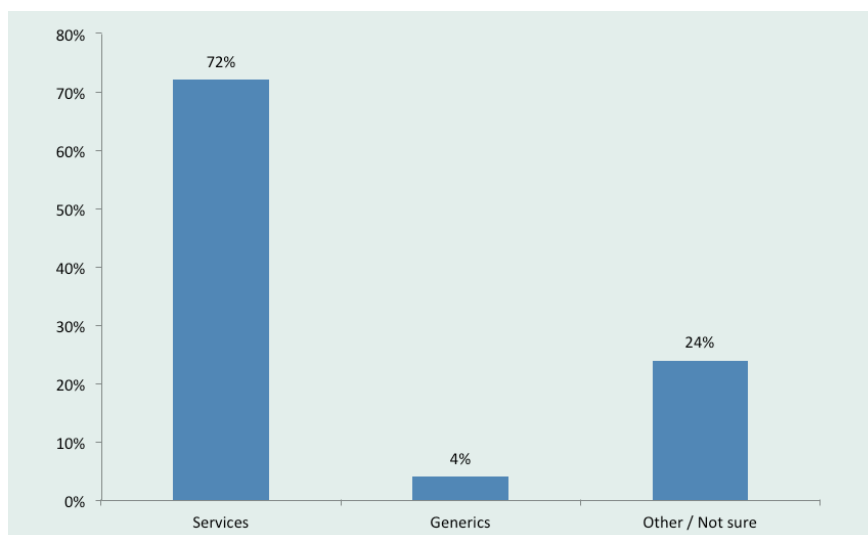
Warwick Plunkett

Figure 6 depicts a general shift to the left, representing a trend towards a more negative outlook for the future. The percentage change in confidence between wave 2 and wave 3 particularly at the lower pessimistic end is not as great as the difference indicated in the percentage of pharmacists who thought their pharmacy will decrease in value. Therefore, in wave 2, although accelerated price reduction had come in, the full brunt may not have been felt. Pharmacists appear not to have responded proactively to the threat imposed by EAPD and are only now realising they can't wait it out. There is a clear realisation that the market has changed.

While there are no statistical differences between the three pharmacist groups, (owner/owner manager, pharmacy manager/pharmacist-in-charge, and employed pharmacists) there was a trend towards employed pharmacists being more pessimistic than owners and managers.

“Where do you see the greatest opportunities for community pharmacy over the next three years?”

Figure 7: Opportunities identified by pharmacists



Expert commentary

“It is not surprising given the relentless price cuts that generics are not seen as an opportunity for the future – pharmacists seem to have moved on.”

John Montgomery

“Services continue to be identified as the major opportunity. However, a quarter of the respondents are exploring other opportunities and it may be that these individuals are positioning themselves in niche markets where pharmacy was not previously present.”

Professor Charlie Benrimoj

Three trends appear in the opportunities seen by pharmacists for community pharmacy over the next three years. Firstly the greatest opportunity seen by pharmacists in the previous two waves has been service provision and this view is reinforced again by wave 3 results of the barometer survey. The opportunity in service provision was stated by over 70% of pharmacists of respondents in wave 3. The second trend was surrounding “generics”. Interestingly on comparison with wave 2, there was a large reduction of pharmacists who mentioned generics as an opportunity. Perhaps the generic market has been fully exploited or alternatively with EAPD the financial attractiveness has declined. Finally there are a group of pharmacists, about 24%, who were either unsure, or mentioned a broad spectrum of opportunities, or activities to supplement the loss of PBS income. These activities may result in an increase in the market differentiation.

View from pharmacy on major issues facing pharmacy today

Common topics raised by pharmacists as issues they face included:

- > Reduction in PBS/government remuneration/price disclosures
- > Discount pharmacy model/competition
- > Consumer behaviour/perspective
- > Low wages
- > Lack of remuneration and awareness of services
- > Number of pharmacists/graduates
- > Lack of unity within professional/ between professional bodies
- > Image of pharmacy portrayed in media and consumer bodies
- > Deregulation of medicines/ supermarkets

"How to structure my practice so I can implement professional service in daily business activities."

"Accelerated Price Disclosure and over supply of Pharmacists from university means decreased wage opportunities."

"Accelerated price disclosure. Community perception. Lack of funding for actual activities."

"Wholesaler rebates, reduced government remuneration, large pharmacies."

"Discount pharmacies and consumer groups have educated our patients to be price focused rather than quality focused. Discounters do not provide many services which don't generate profit, e.g. DAA, home delivery, compounding, answer medication queries (the long waits or lack of experienced pharmacists, seems to drive patients to contact full service pharmacies with questions about medications obtained at discounters). Reduced remuneration from the PBS and coupled with increased costs of staffing (which staff fully deserve) – see full service pharmacies struggling financially as they try to compete on price while still fulfilling their professional obligations."

"Time poor, record keeping causing reduced time for patients, cost reductions of prescription medicines leading to less staff and hence not enough time for other health management systems."

"Cost cutting by the government, resulting in jobs losses. Sensationalism journalists writing stories that are factually incorrect and scaring the public."

"Undermining of pharmacists good name by large corporations like warehouse chemist type discounters where the perception of price outweighs the care provided by true pharmacy owners who actually work in their pharmacies."

"Reduced remuneration from Medicare. Escalating expenses (e.g. rent, wages, IT). Reduced margins from suppliers. Less able to provide quality time with patients as it's not "cost-effective".

"Low wage rate for pharmacists allows warehouse pharmacies to pay their employees at a low rate. Those of us who pay for good pharmacists are blowing out our wage budget in comparison. Makes it difficult to compete on price."

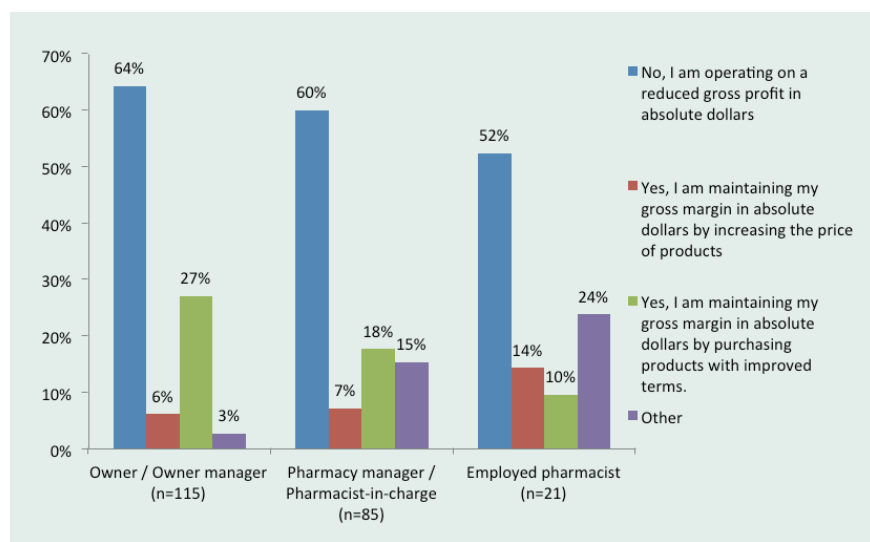
"1. PBS reform 2. Unreasonable service required and adding on workload and not enough payment. 3. deregulation of scheduled drugs become available in supermarket which may be dangerous. 4. increased expenses."

"Discounting as the new norm, PBS reform, misinformed groups (such as choice, CHF and ACCOSS), lack of unity between professional bodies (i.e. guild vs. PSA), Australian economy."

"Payment for the services we deliver. Funding for professional services only available to section 90 pharmacies which is stifling practice innovation. Oversupply of pharmacists Competition from the duopoly Market dominance from Chemist Warehouse Too many professional bodies that don't get along with each other. The Consumers Health Forum."

“As a result of the PBS price cuts are you maintaining your gross margin in absolute dollars?”

Figure 8: Maintenance of gross profit post PBS price cuts



Expert commentary

“The group maintaining gross margin by increasing price is relatively small because the ability to increase price is very limited. Two thirds of owners are saying that they are operating on a reduced profit in absolute dollars and this must be as a result of the deep price cuts.”

John Montgomery

“These results are a reflection that for most the quantum of lost revenue cannot be replaced by simply adjusting prices and purchases while the belief in compensation from new generic molecule discounts has obviously faded as well.”

Warwick Plunkett

Almost two thirds (64%) of the owners believe their businesses are operating on a reduced gross profit in absolute dollars. This figure is echoed by pharmacy managers and pharmacists-in-charge. Interestingly even employed pharmacists who may not be directly involved with the pharmacy’s financials believe the business is operating at a reduced profit. Only one third of owners believe they are maintaining their gross profit margin (33%). There is about a quarter of owners (27%) still trading with improved terms and thus maintaining their gross margin. The question is how long can this strategy be successful?

“Does your accountant or financial institution provide you with guidance or assist with the production and interpretation of any of the following reports to help you manage your business finances?”

Expert commentary

“Challenges within the pharmacy industry caused by external factors such as the regulatory environment in regard to PBS and Price Disclosure coupled with market forces such as lower consumer confidence and lower discretionary retail spending make it imperative that business owners seek the appropriate financial advice for the sustainability of their business.

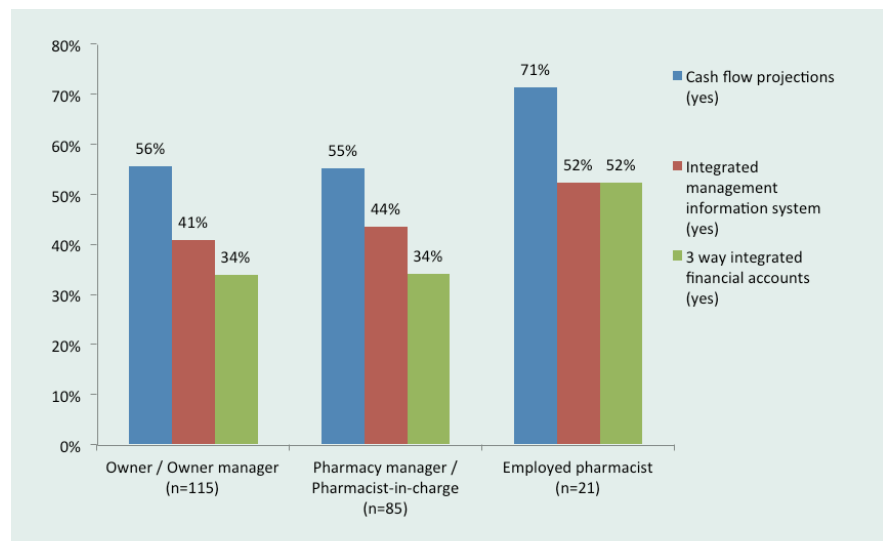
One of the most interesting aspects of the survey is the expectations from respondents that business values will decline over the next 3 years, yet of those who expect values to fall, over 3/4 of them have not discussed this with their financial advisor, or have not received advice which they could act upon.

Another interesting observation is that amongst pharmacy owners and pharmacy managers, more than 2/3 of respondents want an advisor who has at least a general understanding of pharmacy, along with specialist understanding of finance and accounting. Given the changes taking place in the industry, and the desire for specialist advice it is quite astonishing the number of respondents who haven't received advice or sought it from their advisors.

A concern for owner and managers must be the reduction in gross profit dollars given continuing high rent costs and other fixed costs, which in turn is impacting upon net profitability. This highlights further need for owners to be seeking appropriate financial advice and support from their financiers.

Paul Dwyer

Figure 9: Financial guidance



“What are the key areas of speciality you look for in a financial advisor?”

Expert commentary

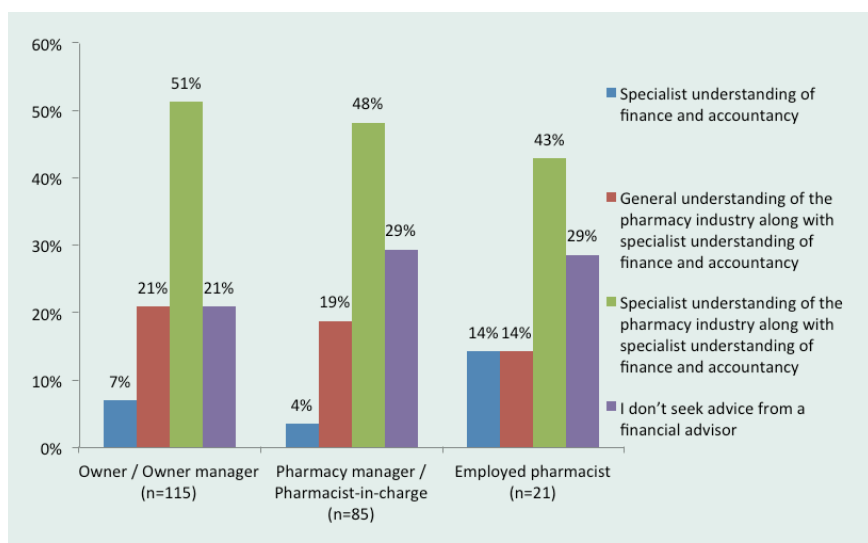
“There is a clear demand for financial advisers who really understand both the industry and finance. Pharmacists want people to understand their business, the financials, and the industry they operate in.”

Professor Charlie Benrimoj

“Given that almost 60 per cent of respondents to wave 3 of the barometer expect the value of their pharmacy to decrease over the course of the next three years, it is staggering that between 45 and 55 per cent of those who thought so had not sought financial advice on how to maintain the viability of their business. Even in industries going through much less onerous changes than the community pharmacy sector, sound financial advice is ever more important to cope with the uncertainties of a post-GFC world. And not just once every few years or after a crisis has erupted, but at least once a year, and more often if circumstances change. You would have to think that circumstances are going to change more often, and that the changes will be even bigger than they have been in the past as governments’ budgets are lashed ever harder by the stings in the tail of the GFC and an ageing population that demands ever more and higher quality services, but which at the same time is reluctant to pay for them via higher or more broadly based taxes.”

Alan Langford

Figure 10: Sought Financial Advisor skills



Pharmacists were asked what specialities they sought in a financial advisor. The majority of respondents across all pharmacist types sought a financial advisor that had both a specialist understanding of the pharmacy industry along with a specialist understanding of finance and accountancy. In total 70% indicated it was important they had some understanding of the pharmacy industry rather than only knowledge of finance and accounting.

A noteworthy and alarming finding is that over 20% of owners do not seek help from a financial advisor, and this is despite 63% believing their pharmacy will decrease in value in the coming years. On the other hand over 70% do have a financial advisor of some description.

“As you believe the value of your pharmacy business will decrease over the next 3 years, what discussions are you having with your financial advisors to maintain your capital structure and viability of your business?”

Expert commentary

“It appears there is nobody out there to support pharmacists to actively address their declining financial position. However this is a two way street and reflects the need for a major behavioural change by both pharmacists and the profession generally. At the moment nothing is being done as we have an industry full of passive people when it comes to financial strategy.”

Warwick Plunkett

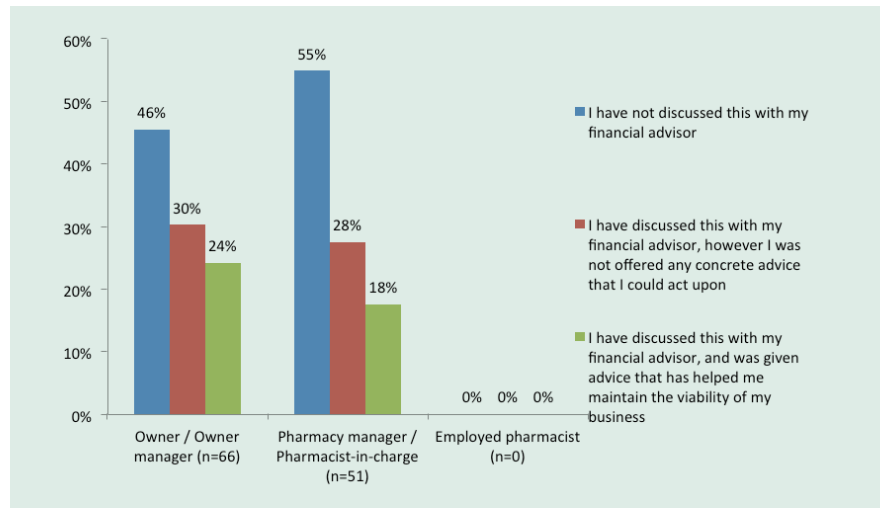
“Looks like a real opportunity for the finance profession to help some pharmacy businesses through some difficult times”

John Montgomery

“If the profession doesn’t act together, including the guild and the society, the industry is going to go recede. Long term financial planning of services has been attached to the current business model without financial and viability planning.”

Professor Charlie Benrimoj

Figure 11: Pharmacists discussions with their financial advisors



* Answered only by those responding with “B. decrease” at Q6 n=118

Those pharmacy owners, managers and pharmacists-in-charge who believed the value of their pharmacy business would decrease over the next three years were questioned on the advice and discussion(s) they have had with a financial advisor. Remarkably the issue appears often to have not been discussed (46% of owners/owner managers, and 55% pharmacy managers/pharmacists-in-charge). It would appear these pharmacists may maintain their books themselves, or have a book keeper rather than a financial advisor. The figure spikes to 76%, of those owners who think their business will decrease, who have either not discussed this or have not received concrete advice from their financial advisor.

The focus topic: minor ailments

Expert commentary

"The research in wave 1 and wave 2 showed that community pharmacists want to move towards service, especially fee for service. These views are not new either at a national or international basis. The challenge has been and continues to be to have a working business model that can demonstrate financial outcomes. This evolution will challenge not only community pharmacy but also the business model adopted by many pharmaceutical companies for acquiring loyalty, market share and sales through pure discounting mechanisms alone."

Professor Charlie Benrimoj

"While there has been major interest in the provision of more professional services in the past there have not been the financial drivers to deliver implementation. The negative impact of discounters and Price Disclosure on revenue streams is more likely to now encourage pharmacists to seek additional revenue from services, particularly if facilitated by outside stakeholders."

Warwick Plunkett

Background

Pharmacy is in a state of change and with this change innovation may come. The key driver for change at this time is economic pressure leading pharmacists to search for new directions. In the two previous waves of this survey the major opportunity for growth has been identified as "services".

One of the most interesting findings in wave 1 was the overwhelming support and focus on moving to a service-based model. This theme came through strongly in responses when asked about "the greatest opportunities for pharmacy over the next three years". This trend continued in wave 2 where there was a statistically significant shift in views on the opportunity for growth from products (decreasing from 50% to 22%) to services (increasing from 68% to 75%). While there is considerable optimism about the opportunities presented by the service-based model of pharmacy there are also concerns about how this model will actually work.

The focus of wave 2 was therefore to explore pharmacies service offerings. The results showed a strong trend towards service provision with 81% of pharmacies offering or having offered services under the 5th community pharmacy agreement. An encouraging result was 70% of pharmacists indicated they have provided at least one successful pharmacy service in the past year. Conversely 48% indicated that have had an unsuccessful service.

This may have indicated that the market was at an early stage experimenting and trialling various services. The services identified for implementation in the future were existing services and those associated with disease management, health screening and monitoring, vaccination and medication review.

A major topic of interest not mentioned to a large extent in wave 2 was minor ailment services. Primary healthcare has been a priority area for the government over many years and it could be argued that pharmacy is in a favourable and advantageous position to become a key player in the field. The network of pharmacies with its inherent accessibility across Australia, the availability of trained professional and the range of monopoly and non-monopoly therapeutic and preventative therapeutic products, all make community pharmacy an ideal site for the delivery of minor ailments services.

“To what extent do you believe that minor ailments are a potential avenue for growth?”

Figure 12a: Opportunity seen in minor ailments by pharmacists

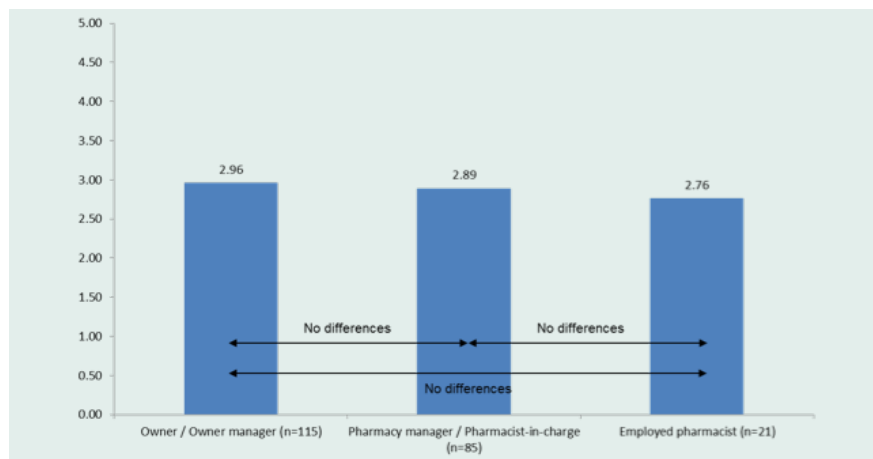
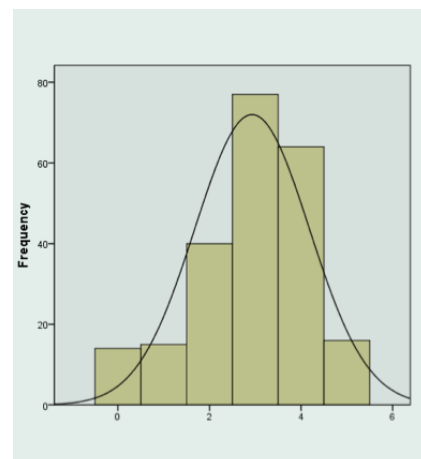


Figure 12b: Opportunity seen in minor ailments by pharmacists



Expert commentary

“The sentiment surrounding minor ailments appears to be lukewarm. Even those identifying minor ailments as an area for growth, are only reporting traditional areas.”

Professor Charlie Benrimoj

“There was strong but not overwhelming belief in the potential expansion of the minor ailment/OTC category. This possibly reflects the lack of understanding or confidence as to how this could be achieved or even a reluctance still to redeploy a pharmacist into the front of shop necessary to achieve this expansion.”

Warwick Plunkett

There appears to be mixed opinion surrounding the potential for growth of minor ailment services by community pharmacy. Generally the feeling is rather neutral, or even at a time of economic pressure surprisingly unenthusiastic, with the average value being a mean of 2.9 out of maximum of 5 (rating scale of 0 to 5 with 0 being no potential and 5 being the greatest potential avenue for growth).

There is however a bi-modal distribution of the scores with approximately 15% of scores being 0 or 1 (low or no potential), 50% as 2 or 3 (neutral) and 35% as 4 or 5 (great potential) (Figure 12b). We can deduce that the majority of pharmacists are not seeing minor ailments as a saviour for business viability but about a third report that there is significant potential growth in this market.

“Which are the three main minor ailment categories where you envisage this growth to come from?”

Expert commentary

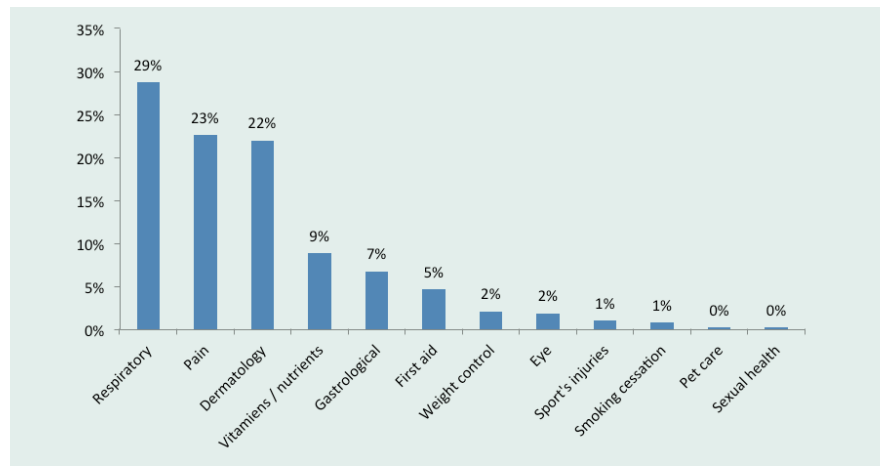
“There were no surprises in the choice of popular product categories within the minor ailment spectrum.”

Warwick Plunkett

“Despite the pharmaceutical industry’s push to explain the OTC market, pharmacists are not looking outside the traditional areas of business. Is this because the strategies being used are ineffective?”

Professor Charlie Benrimoj

Figure 13: Potential minor ailment categories



* Total responses (n=473)

Pharmacists continue to look at traditional areas for future growth. The three areas envisaged as potential for growth in minor ailments scheme are respiratory (29%), pain (23%) and dermatology (22%). Outside of these three categories pharmacists saw a large drop off in the potential for pharmacy’s involvement with other minor ailments.

“What are the three main barriers currently preventing you from playing an expanded role in minor ailments?”

Expert commentary

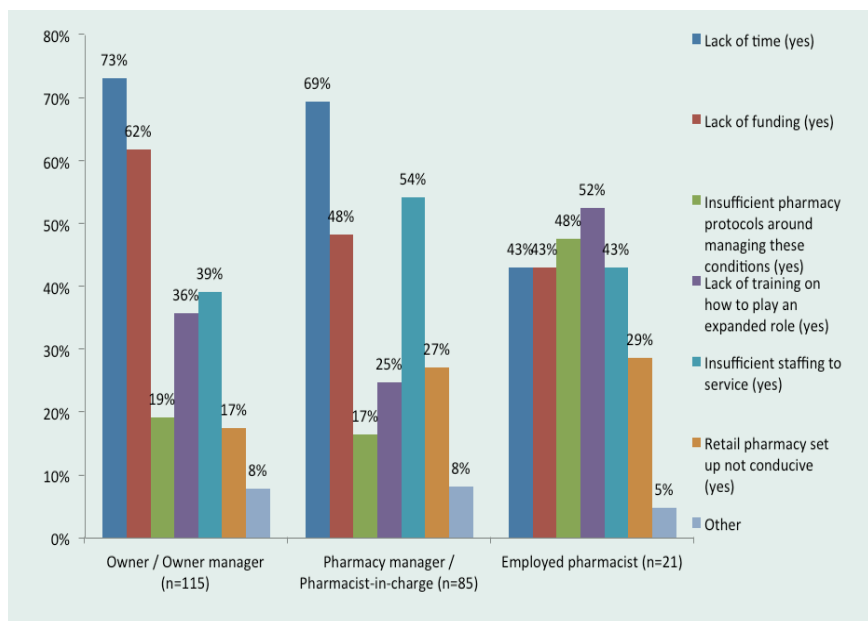
“With the majority of respondents believing increased staff training rather than the use of a front of shop pharmacist (25%) was the answer to increasing the revenue from minor ailments, much work remains in having pharmacists view this area as a professional service opportunity. What is missing is an understanding of the need to change their business model.”

Warwick Plunkett

“The reported barriers for the minor ailment services are no different to barriers generally reported for other services. We do not seem to have learned from our previous experience in implementing CPA services. The industry lacks an effective implementation program for service provision.”

Professor Charlie Benrimoj

Figure 14: Three major barriers to expanded role in minor ailments



* n = number of people who voted for this option

Pharmacists specified a wide range of barriers which they believe prevent them from playing an expanded role in minor ailments. According to owner/owner managers and pharmacy managers/pharmacists-in-charge the greatest barrier was time (73% and 69% respectively), followed by lack of funding (62% and 48%), and insufficient staffing (39% and 54%). Interestingly however employed pharmacists, who will often be the service providers, reported a lack of training as their greatest barrier (52%). This was followed closely by insufficient pharmacy protocols (48%), and insufficient staffing, lack of funding and lack of time (all 43%).

It therefore appears that owners may see there is lack of time for implementation as the issue rather than the delivery of the service itself. It can also be concluded that current protocols and standards are not meeting employed pharmacists needs. Implementation interventions need to be targeted if minor ailment services are going to be expanded to address the concerns of individual pharmacist, for successful implementation to occur.

“What strategies do you use and/or envisage using to grow this market?”

Pharmacists were asked what strategies they use and/or envisage using to grow the minor ailment service market? Four themes emerged from the responses:

1. Hiring/ability to hire additional pharmacists
2. Training staff
3. Increasing the range of their products
4. Marketing and advertising

Such themes show a lack of in-depth knowledge surrounding the complexities of implementation. The strategies listed although necessary are insufficient to achieve the behavioural and organisational strategies required for implementation.

The view from pharmacy

“Ensure myself and my staff give solutions to customers not merely products.”

“Staff training, keeping up to date, actively promote, companion sales.”

“Merchandising, blood pressure or hearing checks, a maternal nurse care in the shop, more interactive customer service, educating staff i.e. diabetes expert, building ongoing relationships.”

“It has to cater for your specific demographic. We have moved into more specialist services, naturopath, acupuncture, beauty clinics, health clinics. None are game changes however they help improve your foot traffic through the door and at present that’s about the best we can expect.”

“More training for staff. Training specialised staff. Create specialised areas in shop.”

“Counselling, health promotions, advertising, product and window displays.”

“Utilise pharmacy and pharmacist only lines. Give great service and advise and charge a real price i.e. 40% GP. Use the higher GP to hire more/better staff to drive extra sales and companion sales (where necessary to aid the ailment). Carry fewer products but know them well and charge right.”

“Education and advertising in the store.”

“What support would you require to provide a more formalised minor ailment service?”

Pharmacists were also asked what support they would require to provide a more formalised minor ailment service. A few themes reoccurred throughout the comments. These included training for both pharmacists and pharmacy assistants, protocols, funding and documentation systems for government remuneration, time, and resources.

The view from pharmacy

“Fee for service and probably more training (if you are going to get paid for it, you have to do it very well).”

“Better trained dispense technicians that I can comfortably trust to dispense to free up my time (and not be going back to fix mistakes which disrupts work flow) More pharmacists therefore funding for pharmacies to have multiple pharmacists on at one time.”

“Increased staffing and better access to protocols and training packages based around those protocols.”

“Funding, service models and procedures.”

“Currently clients do not expect to pay for services for advice and consultation over minor services. When services are provided, if a product is recommended, clients may choose to purchase the product elsewhere at a lower cost. The current pharmacy environment where Chemist Warehouse (and similar) offer much lower priced items plus the lack of payment for time or services provided is not conducive to increasing profit margins. Funding is required for time/ services, adequate training of pharmacy assistants, renovations to make the store conducive for such services and so on. Public recognition and acknowledgment of the part pharmacies play in these services would also be of great benefit.”

“Specialised protocols, specialised training modules available. Better remuneration for training and providing these services.”

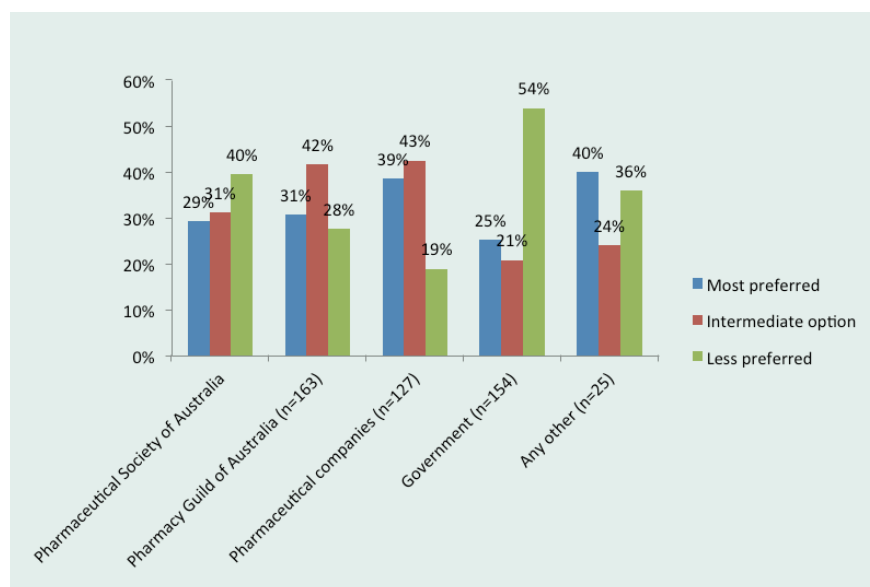
“Where would you prefer this support to come from?”

Expert commentary

“Inertia by leaders in the professional societies will facilitate the industry moving into the driving seat for the development of practice change in the area of minor ailments. Whether this will have a positive or negative impact on professional practice will be an interesting development.”

Professor Charlie Benrimoj

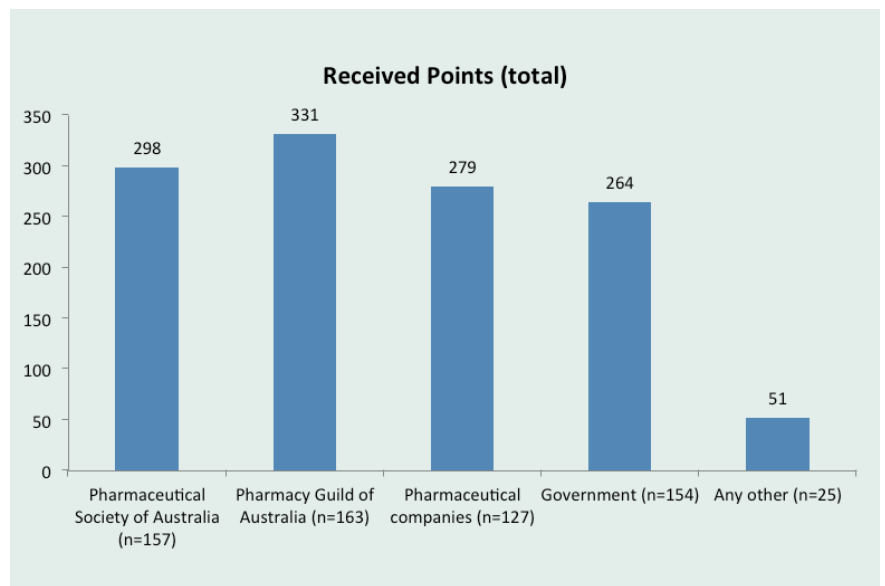
Figure 15a: Pharmacists' chosen support sources for minor ailment services



* n = number of people who voted for this option

There was a fairly even distribution amongst the votes for the most preferred support sources for minor ailment services. In the most preferred option, after “any other”, was for the pharmaceutical industry, at 39% of all most preferred option votes, followed by the Pharmacy Guild of Australia at 31%, Pharmaceutical Society of Australia at 29% and the Government at 25%. It may be that pharmacists are accustomed in this OTC market to dealing and negotiating with pharmaceutical companies as well as using them for staff training and support. Pharmacists see the pharmaceutical industry as integral part of the support for practice change.

Figure 15b: Pharmacists' chosen support sources for minor ailment services



* n = number of people who voted for this option

Each pharmacist had 3 votes for their chosen support service: 3 points allocated to their most preferred choice, 2 points for their intermediate choice, and 1 point for the less preferred choice. When points are allocated to the votes the Pharmacy Guild of Australia receives the highest number of points for chosen support (331 points). This is followed by Pharmaceutical Society (298 points), pharmaceutical companies (279 points) and finally government (264 points). Despite being the least preferred option the government still received a high score, indicating the continuation of community pharmacies dependence of government not only as a policy driver but as a source of funding.

“Would you like to see the number of products in Pharmacist only (S3) product range expanded?”

Expert commentary

“Good to see strong support for more S3 products despite the generally poor uptake.”

John Montgomery

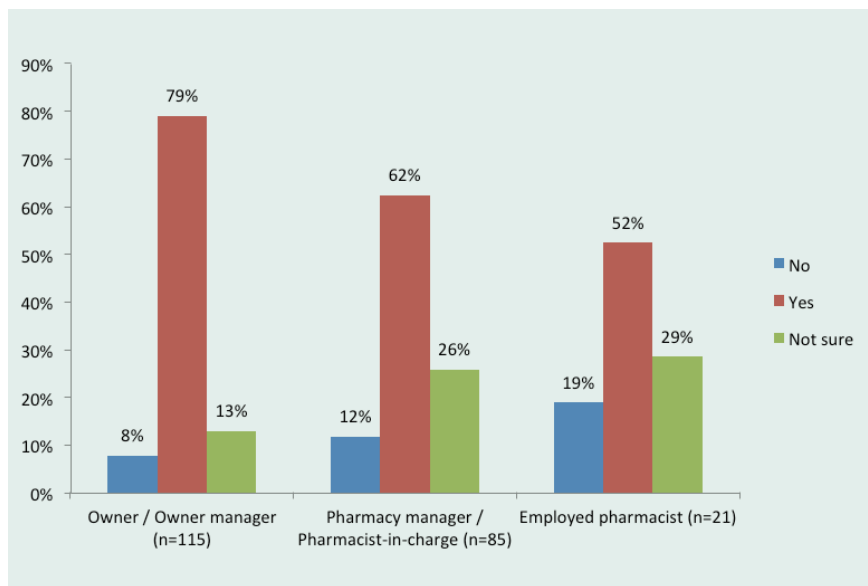
“There was strong support for increasing the number of products being down scheduled to S3 but obviously no appreciation of the barriers to their financial success from past lack of pharmacists’ recommendation or consumer advertising.”

Warwick Plunkett

“It appears to me that the pharmaceutical industry has not been able to exploit the desire by pharmacists to expand the pharmacist only product market. There has been an obvious inability to provide programs that would assist pharmacists to develop these markets professionally and economically.”

Professor Charlie Benrimoj

Figure 16: Pharmacists’ view on the expansion of S3 product range



* n = number of people who voted for this option

It was encouraging to see strong support for expanding the Pharmacist Only S3 product range available in community pharmacy. There is a slight difference in opinion between the pharmacist types. A larger number owner/owner managers (79%), compared to the pharmacy managers/pharmacists-in-charge (62%) and to employed pharmacists (52%) wanted to expand the S3 product range and correspondingly the trend reversed for those who were opposed or unsure (owner/owner managers (8%/13%), compared to the pharmacy managers/pharmacists-in-charge (12%/26%) and to employed pharmacists (19%/29%).

The types of medications most commonly mentioned as desirable to move from S4 to S3 included antibiotics for certain conditions (e.g. UTI), vaccinations, asthma medications, anti-inflammatories, contraception, skin care (e.g. steroid creams, antifungals, acne preparations), antivirals, proton pump inhibitors and cholesterol medications.

The view from pharmacy

"Some antibiotics, not sure what else but for this to be done properly, S3 rules must change, they can't be treated as a regular item of commerce by pharmacy or the consumer."

"Urinary tract infection antibiotics, school sore treatment. But S3 needs to be overhauled, in its current form it is badly run, no recording. Needs to be treated more like Dr scripts and involve a consult."

"Mupirocin 2% Topical, Meloxicam orally as safer NSAID, prochlorperazine and metoclopramide for nausea and vomiting (not just associated with Migraines)."

"e.g. 10 tablets pack of temazepam; 10g size of more potent cortisone cream; continue supply of "Pill"; S3R of Viagra, Cialis 2-4 tablets pack...etc."

"Oral contraceptive pill, topical antibiotics, short term therapy antibiotic e.g. urinary tract infection, antibiotic eardrops, cholesterol lowering agent, stronger topical steroids and anti-inflammatory in smaller pack."

"Limited antibiotics, fungal etc. there is no need for pharmacist prescribing rights, if we fix the S3 category. ie each 'sale' requires a consult, we can't keep treating it like a general item of commerce."

"All "2 products reverted back to S3 another special category developed for those long term stable patients that perhaps do not require frequent visits to their doctor but perhaps require frequent refills of chronic meds such as PPI, blood pressure, statin, some antibiotics for certain conditions – obviously with a pharmacist's consult."

"As many as possible given that we, the pharmacists, are the benchmark in the medicines field."

"Across the board."

"All."

“Do you think that S3 products for minor ailments should be advertisable?”

Expert commentary

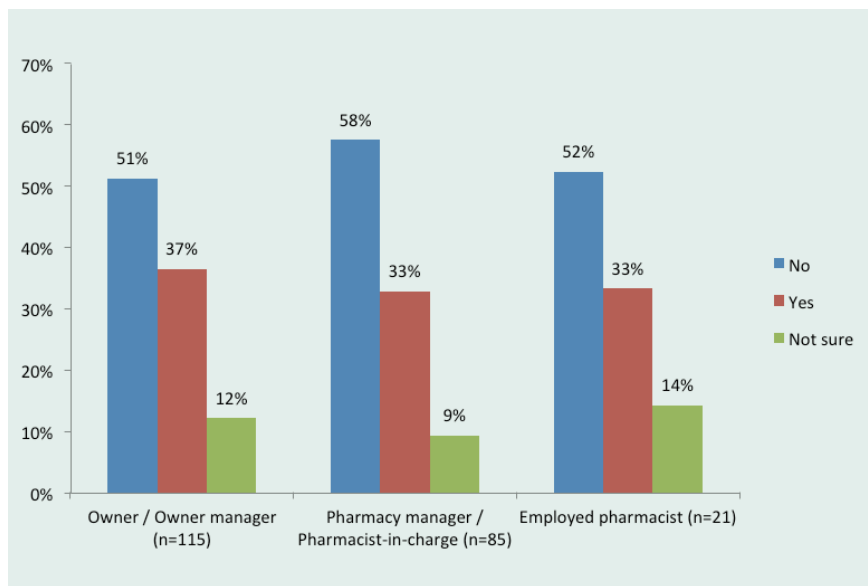
“While I understand the arguments against, I’m disappointed by the lack of support for generalised S3 advertising. It’s not as if S3 products have been a blinding success!”

John Montgomery

“There has been much debate about the advertising of S3 products in the trade press and by the leadership of the profession. However this is the first time, to my knowledge, that we have an understanding of what pharmacists at the coalface think about advertising. It will be interesting to note if these views will be taken into account when deciding policy.”

Professor Charlie Benrimoj

Figure 17: Pharmacists’ opinion on the advertisement of S3 products



It is apparent that the majority of pharmacists, irrespective of their role, do not support mainstream advertising of S3 products. Over 50% of all pharmacists regardless of job type did not think Pharmacist Only S3 products for minor ailments should be advertisable. Just over one third of all pharmacists did support their advertisement. A small majority were unsure (~10%). The responses are insightful as pharmacists are at coalface, dealing with patients and their requests daily.

“Would you support information type advertising* to the consumer for S3 products (excluding codeine combination analgesics and PSE containing products)?”

*A *pre-determined set format* where there is an *even balance* in the communication between, the role of the pharmacists in determining whether the therapy is appropriate, disease state education and information about the product including brand name.

Figure 18: Pharmacists support for information type advertising for S3 products

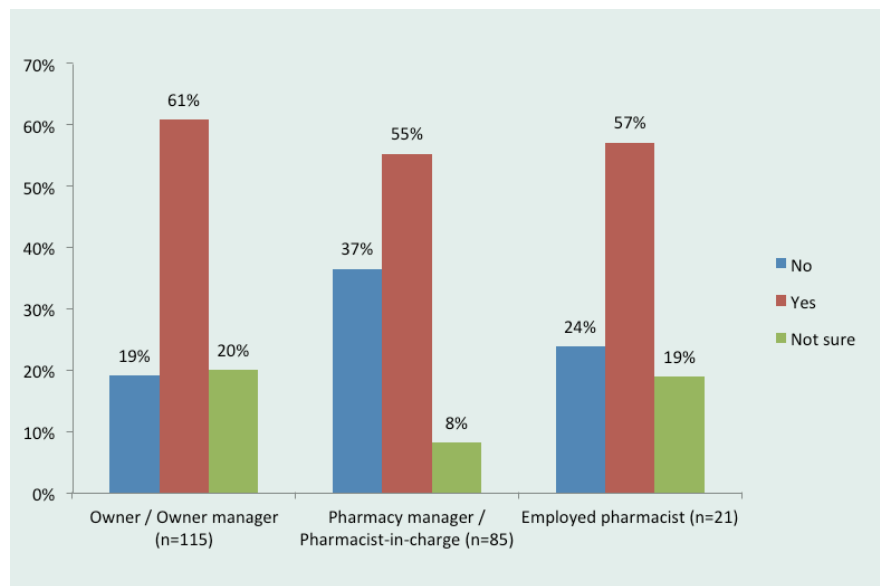
Expert commentary

“This result reflects a significant reversal of view when the form of advertising for S3 products was restricted to an information based format.”

Warwick Plunkett

“The majority pharmacists are giving the green light to this form of advertising for S3 products so the logical next step is to undertake some pilot trials.”

Professor Charlie Benrimoj



In contrast to the previous question the majority of all pharmacists (approximately 60%) would support information type advertising* to the consumer for S3 products (excluding codeine combination analgesics and PSE containing products). There was a larger percentage of pharmacy managers/pharmacists-in-charge that does not support this type 'information advertising' (37%) compared to owners (19%), and employed pharmacists (24%). Furthermore the percentage of pharmacists that were 'not sure' increased from the previous question where the product was directly advertised, to that of information only advertisement. Overall it seems that this form of advertising helps to alleviate some of the pharmacists' concerns, yet pharmacists who are predominately interacting directly with consumers still show some reluctance when compared to owners.

The view from pharmacy

"Direct to consumer advertising's only purpose, regardless of the format, is to force the consumer to want that product. The internet is bad enough at the moment for consumers self-diagnosing, advertising will just add to this."

"I don't want to increase business by putting health in peoples own hands. An ad identifying common complaints followed by a "Ask your Pharmacist" statement. But definitely not product advertising as it encourages product possible misuse."

"Information type advertising without mentioning brands may be ok however, if brands are involved, this is not advisable."

"Any advertising would promote self-selection to an extent."

"While informing consumers of the availability of treatments manufacturers usually try to push the boundaries to promote their products."

"Let customers know we have solutions e.g. Cold sores, migraine, nausea, conjunctivitis etc."

"BUT advertisements would need approval by the PSA. I don't trust companies to self-regulate in any way. Just look at the Voltaren ads which make it appear harmless."

"Sometimes this leads to Patients asking and expecting a product for that ailment, however, we are ethically unable to give it."

"You do not want people to be self-selecting based on perceived bias within advertising."

"Patients can get any info they want on the net, we have to be able to back up their requirements."

"If people come in and discuss their ailment, we can help them choose appropriate product without them coming in demanding a product that they think is correct."

"Needs to make it clear that the Pharmacist must be consulted and not simply walk in and get it!"

"People are demanding and too much potential for abuse. We then 'police' the product instead of recommend it."

"As long as its service orientated and not price driven."

"Products should not be sold based on the best advertising budget. Brands shouldn't be the focus, it should be the ingredient. I'm not against advertising that talks about the condition and suggests seeing your pharmacist. This encourages less GP visits and more enquiries in the pharmacy. Then it's up to the pharmacist to do their job."

"So long as price was never to be mentioned and the set format was not the product with a whole heap of small print."

"This would help clients to have some autonomy in selecting products, with the pharmacist assisting them make a final decision."

"There is enough self-diagnosis and treatment in the public. Many do not appreciate or understand when a pharmacist refuses the sale of the requested S3 product and recommends another product or treatment. ANY form of advertising would merely increase the burden of misinformed self-treatment unless the public is aware that the pharmacist has the responsibility to determine whether the requested treatment is appropriate."

"There is some value in letting the world know that pharmacists are able to help with treatment of minor ailments. Many people clog up emergency dept. with ailments that could be dealt with in a pharmacy – but there needs to be a mechanism for the service to be paid for"

"As long as people know you can't buy it off the shelf."

"The pharmacist is best positioned what is best for the patient. Information may be interpreted differently whatever form it comes in, patient contact is paramount. I really find it difficult to understand how medicinal products are allowed to be advertised by past/present celebrities to sell this particular item. There is nothing professional about it, they know little about the product and are of course paid a great deal of money to say what is needed to sell."

Conclusion

The third UTS Pharmacy Barometer of September 2013 shows that:

- > **The UTS Pharmacy Barometer was 61.2** indicating a deepening negative sentiment within community pharmacy.
- > As with waves 1 and 2 the greatest opportunity for the future is seen to be in the provision of professional pharmacy services.
- > The majority of pharmacists believe the value of their pharmacy will decrease in value in the next 12 months and this will persist in three years' time.

As in previous waves, wave 3 of the UTS Pharmacy Barometer shows an underlying concern amongst pharmacists. Pharmacists appear to believe that they are unable to sustain the value of their pharmacy over the next twelve months as a result of price-disclosure and that this will continue to have a negative financial impact in three years' time.

Contrasting with the previous two waves pharmacies are now feeling the true impact of Expanded and Accelerated Price Disclosure (EAPD) price reductions and have a greater awareness of the effect future cycles will have. The report also indicates that although pharmacists are seeing opportunity in professional services, they do not see these as financially rewarding, or comparable to the losses they are experiencing with increased costs, competitive retailing pressures and government cuts.

The appeal of professional services as a potential source of replacement revenue continues to be a highlight of the Pharmacy Barometer. However, despite over 70% of pharmacists seeing a service based business model as an opportunity, the issues surrounding implementation and financial viability are substantial as pharmacists perceive the value of pharmacies will diminish over the next three years. The conclusion remains that there is an urgent need for strategies to implement a rapid transition from the current model to a services based business model.

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Report written by:

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Joanna C Moullin (B.Pharm. AACPA. MPS) is a Ph.D. candidate from the University Of Technology Sydney, Australia. After graduating from Curtin University of Technology in 2006 she practiced as a community pharmacist. In 2008 she moved to the United Kingdom and worked as a medical information officer in the pharmaceutical industry.

Upon her return she was employed by the Pharmaceutical Society of Australia (PSA) where she developed continuing education materials and co-ordinated the Clinical and Practice Expo annual conference. She continues to be actively involved in continuing professional development programs as well as delivering presentations, medical writing

projects and locum pharmacy work. She recently completed her accreditation to be a consultant pharmacist to deliver home medicines reviews and residential medicines management reviews.

In 2012 Joanna commenced research in the emerging disciplines of implementation science and knowledge translation and how they may be applied to and utilised by community pharmacy. She has developed a Framework for the Implementation of Services in Pharmacy (FISpH), which is designed to be used as a base for conducting implementation research or for developing implementation programs for the integration of professional pharmacy services into routine practice.

Her research has been presented at FIP World Congress 2012 and 2013 and Pharmaceutical Care Network Europe Working Conference 2013. She recently published a peer-reviewed article defining professional pharmacy services in the journal *Research and Social Administrative Pharmacy*.

Her research interests include the implementation of programs and services, in both developed and underdeveloped health systems, particularly those involving community pharmacy. A key aim is to enhance pharmacies contribution to health outcomes by the provision of professional pharmacy services.



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