



The drugstore of the future: Form to follow function

Drugstore of the future

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Drug Topics



Wonder what the drugstore of the future will look like? Look no further than the business plan of the future. If compounding is key, look for a compounding area front and center. If profits flow from professional services, think individual cubicles, conversation centers, and consulting rooms. If pharmacy is one department of many, merchandising displays will dominate.

"Form follows function," said independent pharmacy design consultant Wayne M. Caverly, president of Efficient Pharmacy Solutions in St. Lazare, Quebec, near Montreal. "Whatever changes occur in the nature of the people we serve, how we serve them, and the mix of services and products we provide will dictate the way our pharmacies are put together," he said. "Store design has changed dramatically in the past 100 years, but form is always dictated by the functions that generate the highest profits."

Caverly and other store design experts see a spectrum of drugstore types evolving. The spectrum will be anchored on two different business models. One model is a retail merchandising operation. Pharmacy is focused on dispensing, and the front end continues to dominate.

The other model is a health-oriented drugstore. Pharmacy and related health services overshadow dispensing in terms of R.Ph. time and store profits. The front end is largely health related. That means more over-the-counter items and fewer greeting cards or candy. Sunblock could replace suntan lotion in the health and beauty care (HBC) section.

In the merchandising model, the front end accounts for about 60% of sales, said Stefan Linn, president of Health Mart, a franchise operation owned by McKesson. That is comparable to today's financial profile.

Under the health store model, the front end accounts for between 10% and 20% of sales. "Various formats can work," Linn said. "The dispensing pharmacy with a strong front end is a terrific format in certain types of markets. At the same time, we are seeing stores focused on professional services. It is a different business proposition and a very strong one."

Business first

"Business decisions have always driven the look and feel of drugstores," said Michael Harris, R.Ph., former associate curator, pharmacy and public health, Smithsonian Institution. "That's one element that's not likely to change as we move forward."

As government and other third-party payers continue to squeeze margins, large retailers—the Targets, Wal-Marts, and grocery chains—are less affected than pharmacy chains and independents. They have more flexibility to adjust margins in other departments to make up for shrinking pharmacy profits.

"Lower margins cause pharmacies, drugstores, to look for other areas," explained Steve Lawrence, senior VP of retail pharmacy marketing for Cardinal Health. Cardinal owns the Medicine Shoppe franchise. "Do you expand the front end to become more of a retailer? Or do you expand health services in areas like durable medical equipment, specialty care?"



Wayne M. Caverly

Drugstores that go the retailing route face tough competition from retail specialists, Lawrence said. The more likely road to success is expanded health-related services and products. Pharmacies are finding niches from specialty drugs to mail order to consultant services and more.

The precise mix of services and products depends on local needs. One example is a clinical drugstore with disease management programs and related health products. "That is quite different from a drugstore that offers gifts, candy, and sundries, or a retail-oriented store that has a closed-door pharmacy attached," Lawrence said. "There is no single store design that fits everybody and there never will be. You have to meet your customers' needs."

Chain choices

Chain giant Walgreens is looking to emphasize the drugstore side of its future. "We are looking for ways to reinforce the healthcare retailer message for our front-end sections," said company spokesman Michael Polzin.

Walgreens is experimenting with 150- to 200-sq. ft. Health Corner Clinics inside its drugstores. The goal is to lure more health-conscious customers who will buy more high-margin OTCs and HBCs as well as low-margin Rx products.

Regional chain Kerr Drug, based in Raleigh, N.C., is taking a different tack. Rather than adding urgent care services, Kerr is expanding pharmaceutical care. That means outpatient diabetes programs, medication therapy management (MTM), and other pharmacy-based services. The key, said clinical services director Rebecca Chater, is a change in marketing strategy.

Drugstores traditionally advertise to pull customers into the store. Kerr uses physician and payer referrals to push patients into stores. "It's one thing to wave your services at people," Chater explained. "It is another thing entirely when that push comes from a physician or a health plan or hospital. That third-party recommendation has a much larger impact than any ad you can buy."

That third-party recommendation will probably snag a more financially rewarding patient. The typical pharmacy patient spends about \$700 annually, Linn said. The average diabetes patient spends about \$4,000 yearly on drugs alone, plus equipment, supplies, and other items, he said. That revenue difference alone makes it worthwhile to focus on services such as diabetes education.

New services, new look

Kerr is focusing on areas such as diabetes care, for which certification or accreditation is available. The chain is also crafting MTM contracts with payers to build referral business.

Independent pharmacists can take similar steps on their own or through buying groups and franchise operations, Linn said. The goal is the same: develop a more intensive relationship with the patient and capture a greater percentage of his or her total healthcare spend.

But it's tough to provide new services in the same old drugstore. For starters, providing more clinically oriented services means the R.Ph. needs more time with patients—a lot more time. "You have to automate dispensing to give yourself that time," Caverly said. "The pharmacy has to become a very high-tech assembly line. But the worst thing you can do is drop that technology wherever it happens to fit. You have to design your workflow around the tech, not the other way around."

For example, fitting an automated tablet counter into an empty space two feet from the fill station is a disaster, Caverly said. If the pharmacy fills just 100 Rxs a day, that means an extra four feet of movement on every Rx, or 400 feet daily. That works out to 146,000 additional feet of movement yearly, he said, the equivalent of two work weeks of time wasted.

The next step in dispensing technology is bar-coding and workflow efficiency software. Add near-infrared spectroscopy as a final check, and error rates drop to roughly one in 12 million fills, Caverly said. "That's the kind of safety technology that is already here in mail order," he said. "We need to bring that same safety technology to the corner drugstore."

Public areas should also be replanned. As the patient population ages, more patients will want to sit while they wait. But waiting time can be profitable. Caverly suggested multiple waiting areas with a few chairs each—then adding point-of-sale displays like reading glasses and magazines.

Another sales booster is the open dispensary. Like the glassed-in "open kitchen" that has become popular in restaurants, the open dispensary is all about professional perception. It offers the pharmacist a chance to show professionals at work. More important, it gives patients something to watch while they wait. So the prescription wait seems shorter.

"We are not interested in shorter wait times," Caverly explained. "We are interested in the perception of wait times. You play upbeat music, use uplifting colors and lighting, give people something to watch. They perceive the wait as shorter, they're happier with your service, they tell their friends how much better you are than the store down the street."

Further down the road, Caverly sees a blend of Rx and OTC sales. Patients with hypertension should generally not be taking OTC antihistamines, he said. Point-of-sale computers linked with Rx systems can alert the pharmacist and prevent a potential interaction. On the other side, patients on osteoporosis medications should probably be taking calcium supplements as well. Again, POS systems linked to Rx data can trigger the recommendation.

Packaging is also on the move. "Vials are going to disappear from North America," Caverly predicted. "Multidose blister packaging will become the standard." Blister packs that combine all drugs to be taken together are already common in long-term care, he added. A study on outpatient compliance at Walter Reed Army Medical Center found that medication adherence soared when meds were dispensed in blister packs.

"Compliance issues are huge," Caverly said. "Eventually, payers will realize that spending an extra dollar on pharmacy for personal attention and interventions like personal blister packs can save \$1,000 on avoidable hospitalization. Form eventually follows function, whether you're talking store design or dispensing design."