

# THE PHARMACIST: TOMORROW'S STAKEHOLDER

- Key insights into the current pharmacy landscape and a look into the future of the sector.
- How to engage with pharmacists today to ensure valuable relationships between pharmacy and pharmaceuticals exists in the future.
- Hear directly from Pharmacists and Industry Executives on how closer working practices and shifting spheres of influence mean you need to be engaging pharmacists today

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## Executive summary

There is growing acknowledgement from the pharma industry that pharmacists, although a somewhat neglected group in the past, are becoming increasingly important. However, pharma organizations need to understand the significance and dynamics of the evolving pharmacy business landscape in order to exploit the full potential of this opportunity.

Like the rest of the healthcare landscape, the pharmacy sector is experiencing a revolution: pharmacists are being forced to confront upheavals to their traditional role not seen since the 19th century. During that first pharmacy revolution, the profession was transformed as it moved from a role based on formulating medications to a largely dispensary function.

A second revolution in the pharmacy sector is now opening up new opportunities for pharma companies to boost revenue and profit, principally through promotion of adherence to drug regimens and increased sales of products designed to improve overall health outcomes for specific conditions.

Community pharmacists especially are experiencing profound changes to their role, as government policy initiatives assign them new responsibilities and inexorably expose them to the rigors of the marketplace. The nature of their business is changing with a significant shift in the revenue mix for a typical pharmacy from 80% Rx (prescription) revenues and 20% OTC (over the counter) products to something like 70:30 or 60:40. This trend is expected to continue.

Thus, although pharmacists now in some cases have prescribing powers, pharma sales organizations don't in general see them as primary targets for engagement by their traditional sales operations. The reason for the current interest in the pharmacy sector is not primarily for pharmacists' ability to write an initial prescription – this largely remains the domain of HCPs (healthcare professionals) such as GPs – but because of their changing role in the wider healthcare landscape: as trusted advisers to patients and influencers in prescription switching.

Accordingly, pharma companies are devising new strategies to engage this segment, particularly by acting as business partners to the pharmacy sector. Pharma needs to note the changing perceptions of consumers and their role in self-care and self-informed care. Consumers have become more skeptical, more inquisitive and, thus are looking for some agency with inherent credibility to help them make better decisions. As pharmacists integrate further into the primary healthcare landscape their enhanced advisory role involves more responsibility for delivering preventative programs, patient counseling and drug adherence/compliance programs.

Pharmacists are embracing (along with the rest of the healthcare sector) the concept of building value in terms of outcomes for patients and payers while moving away from simply 'flogging product' as part of their traditional role at the end of the product-centric pharma supply chain. One prominent US pharmacist emphasizes that pharmacists can help pharma companies combat the notion of medicines as commodities: "They can help build understanding over why medicines are not a can of peas."

That said, an alternative for pharmacists to adopting the 'value-added' strategy is the route towards increased 'commoditization of the pill', whereby prices and margins come under further threat. Pharmacy organizations with strong buying functions and a dominant market position, as well as the growing internet pharmacy sector, have the ability to thrive under such circumstances, and pharma companies need to develop robust strategies to address this trend.

While the market forces shaping the pharmacy sector open up new possibilities for suppliers who understand how to integrate the pharmacy channel within their sales and marketing strategies effectively, there remains a key underlying issue of concern: who is going to pay for pharmacists' enhanced advisory role? In part, this may be addressed through enhanced sales – especially if community pharmacies are supported effectively by big pharma – whereby the patient (consumer) pays. Initiatives designed to enhance pharmacists' business understanding run by some pharma companies and educational suppliers will help in this respect. In return, pharma receives additional benefits over and above any sales boost, including the potential for gathering valuable field intelligence and market research.

We see the key to future engagement of the pharmacy sector being focused on helping pharmacists to evolve and thrive in the new business environment. It is also centered on understanding pharmacists' customers – mainly health consumers but also other primary care stakeholders – and responding to their requirements, in order to help pharmacists serve them more effectively: so-called 'third-box' thinking. Consequently, pharma sales approaches to pharmacists need to address 'the customer's customer' and add value to pharmacy businesses.

One senior executive from a Big Pharma organization with both Rx and OTC divisions summed up the evolving situation: “The pharmacist has not been considered as the main contact for a while; by definition, an Rx product is more HCP-driven and also because, in many European countries, the regulatory environment or economic context has not provided a lot of opportunities for the pharmacist to influence this. This model is changing and we really believe that the central role the pharmacy is going to play gives us no other option but to act together as one to foster a better patient-centric service.”

Such changes to the pharmacy business landscape will gather momentum over the near term as the delayed second pharmacy revolution gets under way. Pharma companies need to be ready for it.

## Introduction

Although pharmacists have traditionally provided medicines and medical advice, in recent years their role has shifted from the classical 'lick, stick, and pour' dispensary role towards becoming a more integrated member of the patient's primary health care team, most recently with their ability to prescribe Rx medications under certain circumstances and their more proactive role in helping the public address and manage conditions such as diabetes, obesity and smoking. So-called 'pharmacist independent prescribers' have been recognized in the UK since May 2006; prior legislation in April 2003 enabled pharmacists to become supplementary prescribers.

The role of the pharmacy or drug store is more than one of simple distribution: they dispense medication in specific doses, adhere to optimal conditions of storage and advise patients on the use of their medications. In the US, by law in most states, they are also involved in prospective drug use review to insure that dosages are correct, and to screen for drug-drug interactions and allergies.

Pharmacists act as a learned intermediary between prescriber and a patient, and monitor the health and progress of patients to ensure the safe and effective use of medication. One of their most important current roles concerns pharmaceutical care. This involves improving health outcomes for individuals by taking direct responsibility for patients and their disease states, medications, and their management. Benefits of this approach include:

- Decreased medication errors;
- Increased patient compliance in the medication regimen;
- Better chronic disease state management; strengthened pharmacist-patient relationships; and
- Lower long-term costs of medical care.

A number of factors are driving increased demand for the clinical counseling skills of the pharmacist, including:

- The increased numbers of drug therapies;
- An ageing population in many developed countries;
- A much more knowledgeable and demanding population;
- Pressures on other parts of the healthcare system.

All of this means that pharma organizations are increasingly turning their attention to pharmacists and seeking to engage them as they begin to play a more prominent and influential role in many countries' healthcare systems. However, in order to do so, pharma companies need to understand the market dynamics currently shaping the pharmacy sector.

## Market size

The global drugstore market will be worth some \$595 billion by 2015, according to research from Global Industry Analysts. Although, in certain markets, a large proportion of pharmacy income is derived from dispensing and administration of prescription drugs, pharmacies are also retail environments for the sale of over-the-counter (OTC) medications, cosmetics, toiletries and, often, a wide range of electrical goods.

Market analyst, the IMS Institute for Healthcare Informatics predicts the pharmaceutical market will reach nearly \$1.2 trillion by 2016, an increase of almost \$250 billion from the \$956 billion recorded in 2011, according to its July 2012 report, *The Global Use of Medicines: Outlook Through 2016*. Off-invoice transactions will continue to rise, particularly for generics, representing in aggregate an estimated \$180-190 billion in 2016. Market expansion in the leading emerging economies and from generics is driving this growth.

Although branded products accounted for nearly two-thirds of global pharmaceutical spending in 2011, as patents expire in developed markets, that share is expected to decline. Global brand spending is forecast to increase from \$596 billion in 2011 to \$615-645 billion in 2016. Global generic spending is expected to increase from \$242 billion to \$400-430 billion by 2016, of which \$224-244 billion of the increase is from low-cost generics in emerging markets.

### Key 2016 Numbers

- Spending **~\$1.2 trillion**
- Spending on branded drugs **\$615-645 billion**
- Spending on generics **\$400-430 billion**
- Developed country spending per person **\$609**
- 'Pharmerging' country spending per person **\$91**

Source: *The Global Use of Medicines: Outlook Through 2016*, IMS Institute for Healthcare Informatics, July 2012.

## The changing pharmacy sector

Historically, the pharmacy sector has been governed by tight regulatory controls that have limited entry into the industry. However, the pharmacy and drugstore landscape is in a considerable state of flux: the drivers are demographic, legislative and market driven. Pharma organizations need to properly understand this complex marketplace in order to engage pharmacists effectively and to determine where growth opportunities lie.

The challenges facing the market – such as strict regulations and price pressures – are partly compensated for by increased demand created by an aging population, rising numbers of patients suffering from chronic diseases and consumer-driven demand by a more health-conscience public. Other important factors driving changes in the pharmacy landscape include:

- Online research and purchasing such as ‘click & collect’ and ‘click + same-day local delivery’ and social media;
- The growing importance of ‘mobile’, including apps and telehealth;
- The demand from consumers for a multi-channel approach; and
- New product ranges, including specials.

The US and the EU lead the global drugstore and pharmacy market. In the US, health reforms such as President Barack Obama’s Patient Protection and Affordable Care Act (passed 2010) have influenced the regional drugstore market. Meanwhile, the European pharmacy sector is also experiencing major change. The EU has seen growth in independent and online pharmacies: the UK, Sweden, and Norway are home to the biggest EU share of pharmacy chains, while France and Germany lead the EU market for online drugstores.

Following a 2003 Office of Fair Trading review into these entry barriers, partial deregulation of the industry occurred in England in April 2005. A number of reforms were implemented to increase the ease with which a new player entered the industry. Amongst other effects, this led to a rapid expansion of the role of supermarkets in this sector: an additional 1,500 pharmacies have arisen in the UK since 2006.

In the UK, retail pharmacies’ revenue is derived from a number of sources, including income paid to pharmacies by the NHS for dispensing Rx or prescription-only medicines (POMs), retailing of OTC products, the sale of healthcare and personal care products and, in larger outlets, gifts and household goods.

Specialist pharma consultancy Sempora points to a trend towards increasing price pressure on the pharma industry from pharmacy groups, chains and a strengthening internet sector. This echoes the relationship between major supermarkets and their suppliers, with higher marketing allowances and rebates demanded. At the same time, manufacturers are developing new strategies to deal with changes in pharmacy retail markets, especially with respect to distribution – for instance, ‘direct to pharmacy’ (DtP) – and looking at new ways of engaging with consumers such as smartphone apps.

In the US, pharmacist thought-leaders also predict evolution of new ways to deliver high-priced ‘specialty’ products to help insure appropriate patient selection, adherence, efficacy and safety tracking.

In the UK, we should expect consolidation within the pharma supply chain. A study by analyst ICD Research amongst its panel of leading pharmaceutical industry executives\* found that buyers in the pharmaceutical industry are in agreement that to win and keep their business, suppliers need to develop partnerships that optimize working capital and minimize costs, making acquisitions and mergers an important aspect of the industry’s future.

At the same time, ‘wholesale bypass’ is starting to change the face of pharmaceutical distribution. The traditional supply chain has involved pharma companies (manufacturers), wholesalers and retailers. The dynamic in this model is changing with the rising power of non-traditional players such as supermarkets and, of course, the internet. One relatively recent innovation has been the direct-to-pharmacy (DtP) model, which has proved particularly successful in the UK. According to Global Industry Analysts, DtP means increased control of supply of drugs for manufacturers and savings for pharmacies.

## Miss-selling

As with any sector, occasional abuses occur when market conditions are challenging and are often indicative of situations where existing sales strategies are no longer effective; under-pressure suppliers and unscrupulous reps may respond with inappropriate tactics in an attempt to drive growth. 2013 has seen the breaking of the so-called ‘Specialsgate’ scandal, uncovering evidence that the NHS could be being systematically overcharged by certain specialty pharma companies in collusion with some pharmacies.



Specials tend to fall outside the established price tariff for regular medications so, when a pharmacy dispenses a special medicine, it is reimbursed by the NHS for the cost of the drugs plus a £20 fee. Because tens of thousands of specials are not on the nationally controlled NHS price list, this opens the gateway to price manipulation. However, to put this in perspective, specials only account for one per cent of all prescriptions written in the UK

One company allegedly proposed a “rebate” scheme, whereby a pharmacy could inflate its invoice to charge the NHS more than it actually paid for the product. Another rep suggested their company could over-charge the pharmacy by 50%, which could then be rebated. Meanwhile, a third company offered to provide “duplicate invoices”. The allegations are currently being investigated by watchdog NHS Protect.

Claire Ward, chief executive of the Independent Pharmacy Federation, has been reported as suggesting that the UK specials market has been known to be out of control, with formerly legitimate discounting practices becoming distorted.

### **Opportunities for growth**

Despite the intense market pressures, the picture is not entirely black so far as pharmacies and their suppliers are concerned: there is considerable potential for pharmacies to embrace their role as retailers. Overall, the UK market for retail pharmacies will continue to grow. Between 2013 and 2017, the industry’s revenue is projected to rise by 16.7%, according to market analyst Key Note. In its report *Retail Pharmacies*, the analyst says that the total UK market for retail sales of pharmaceutical products, medical goods, cosmetic and toiletries grew by an estimated 3.1% in 2012. However, the company stresses that independent outlets will be most affected by the changes to the pharmacy landscape and do not have the buying power of the large chains and supermarkets. It forecasts modest growth this year of 2.8% in the retail pharmacies market, followed by more substantial growth in following years.

## Understanding the retail landscape

The retail pharmacy market is divided into four key segments:

1. Multiples/chains
2. Supermarkets
3. Community pharmacies
4. Online

The power and influence of each segment varies according to the local market: for instance, Alliance Boots enjoys a dominant market position in the UK. The retail landscape is evolving rapidly, shaped by economic conditions, competition from new players, technology and consumer trends.

Pharmacies in the UK have recently been affected by the government's successive category M claw backs. Market analyst Key Note predicts the new NHS pharmaceutical contracts will have a further dampening effect on retail pharmacy income. In September 2012, the Pharmaceutical Services Negotiating Committee (PSNC) announced the new funding arrangement for 2012/2013 which included a reduction in practice payments of 15 pence per item, and generic medicine reimbursement price (category M) claw backs of £72.5m per quarter.

Analyst Plimsoll has warned that performance in the retail pharmacy sector is extremely variable with the profits gap widening between highest- and lowest-performing pharmacies. Analysis of the 1,000 UK pharmacies with the highest turnover found that the top 134 had an average profit margin of nearly 13%; average sales per employee at these pharmacies was £137,800. At the same time, the bottom 230 companies made an average 2% loss on every sale.

Why is this important? Because it's in the interests of pharma companies to have a strong retail sector. Pharma needs a strong pharmacy base because of pharmacists' increasingly important role as trusted advisers to patients and as advocates for their products.

### Supermarkets

"Ten years ago there were very few pharmacies in supermarkets and they tended to be franchises," explains Mike Holden, chief executive of the National Pharmacy Association. However, a more relaxed legislative environment provided the opportunity for expansion with the result that another 1,500 supermarket pharmacies had opened in England alone; expansion in the sector has now slowed dramatically but the effect on the pharmacy landscape has been far reaching.

Sales organizations from outside the traditional pharmacy sector are keen to enter the market, especially where they have traditional longstanding relationships with supermarkets, and they can see opportunities to operate more of an FMCG (fast-moving consumer goods) model.

Sales promotion company CPM grew out of traditional strengths in FMCG and the drinks sector but has also worked over the long term with pharma giant GSK, selling directly into pharmacies. It has also been involved in selling OTC brands into the grocery trade and in prescription drug sales by telephone through a contact center. CPM's Andy Buck suggests that selling to pharmacies is likely to take on more of an FMCG model. "Pharma organizations need to operate better in a retail environment."

### Community pharmacies

Community pharmacies present a major opportunity for pharma sales organizations to build business long-term. While supermarkets' market share growth is starting to level out, the number of independent pharmacies on high streets around the UK is growing. This trend, combined with increased footfall in all types of pharmacy driven by higher volumes of GP prescriptions, has also led to a boost in over-the-counter (OTC) sales of medicines.

Speaking recently at the Pharmacy Show, Tim Nancholas, strategic insights director for Kantar Worldpanel, told the audience: "For many years there was a decline in pharmacy's share year-on-year, and now that decline is starting to level out. Pharmacies are fighting back with all the other services they can offer that supermarkets can't." This presents some key opportunities for pharma organizations to drive growth through the sector.

Pharmacies should not aim to compete with supermarkets on price, Nancholas emphasized. "I think pharmacies' unique selling point is offering healthcare expertise in their local area. They can take advantage of their retail space

but I think they must remain as healthcare professionals.”

Martin Wood, Business Unit Director – Health and Beauty, IRI, adds: “More and more people are taking advantage of the increasingly diversified role of the pharmacist as a consultant for their healthcare needs. Visiting your local community pharmacy to receive a ‘Medicines Use Review’, a relatively new government initiative to provide personal consultations on types and levels of medicines being taken, or advice on quitting smoking, obesity and other chronic conditions, is becoming a considered option for most people.

“Whilst the NHS encourages GPs to recommend OTC medicines to save money, price dynamics are different in the community pharmacy. A different approach to pricing and product ranging is required, as is communication through good channels including the trade press and an in-house or third-party sales force,” he concludes.

Some US commentators view the community pharmacy segment as where the most dramatic changes will occur. While chains substantially replaced ‘mom and pop’ pharmacies in the past with their promise of efficiency, speed, convenience, the pendulum is now swinging back the other way. Especially in certain high-end communities, the thriving pharmacy businesses are the ones that focus on service as well as value. One prominent pharmacist told eyeforpharma: “If I were crazy enough to open a pharmacy at the age of 63, it would be a high-touch one that focused on concierge-level image and services, and I would not try to compete with the mass merchandisers.”

## Online pharmacies

Online pharmacy is lagging behind online retail in terms of market share, so offers considerable growth promise for manufacturers. In Europe, the model is particularly strong in Germany with online pharmacies operating out of the Netherlands close to the border. In this market, online pharmacies have made a transition from ‘no-frills’ low-cost pharmacies to professional and creative internet companies with a fully-fledged marketing and sales program behind their website.

This encompasses customer loyalty programs, co-branding activities with pharmaceutical manufacturers, marketing and sales co-operations with big retail banner groups or even medicine pick-up stations at high street retail outlets. “Most market players have tried and implemented effective new methods to attract and retain valuable customers. Almost all players have set up considerable call center facilities, which enable consumers to place orders and get consultation and advice by trained pharmacists on the telephone,” Sempora director Francis Prosser suggests.

The online model offers considerable advantages to consumers, not least for their convenience, product range and keen prices; they also offer increased privacy and anonymity. In the UK, a key trigger for growth will be the recent introduction of electronic prescriptions, whereby consumers can opt to have their prescription fulfilled at a dispensary of their choice including online pharmacies. For manufacturers, online pharmacies tend to be easier to engage because of the nature of their chosen operating model. However, global sales strategies require local implementation because of the diversity of local markets

Prosser suggests that online pharmacies offer additional turnover and profits for pharma. At the same time, the key account business is easy to handle, justifying a larger key account organization and budgets. Furthermore, companies have the opportunity to become ‘category captains’: “If you are leading in your segment and establish a preferred partnership you can gain market share.”

There are also new marketing possibilities for brands, such as brand and topic-related shops, and product placement, and information included with packages, while manufacturers can more easily gain shopper insights and analyze market data.

Prosser recommends that manufacturers integrate internet channels within their overall brand marketing, sales and pricing strategies. He suggests that manufacturers should upgrade their discounts and allowances system to take account of the new channel, and they should develop and launch partnership programs and category management concepts for the top internet pharmacies.

### Drugstore and pharmacy market snapshot

The US market is comprised of around 42,000 drugstores, between single and multiple location companies. In total, the US market represents yearly profit of around \$220 billion. The US drugstore industry is a concentrated market with 70% of profits made by 50 of the largest companies, according to business intelligence specialist, Hoovers. Leading drugstore companies include Walgreen, Rite Aid and CVS Caremark. Analyst Trefis reports that pharmacy drugs account for just over 60% of US-drugstore leader Walgreen's revenue, with OTC drugs and general merchandise representing the rest.

Immunization is fuelling Walgreen's growth since the introduction of an immunization service in its 7,700 US stores. The US vaccination market is estimated at \$40 billion, largely for flu shots.

CVS Caremark (established through the merger of CVS Corporation and Caremark RX in 2007) is the leading US prescriptions provider and specialty pharmacy, as well as the number-one employer of nurse practitioners and pharmacists. Spanning 44 states and employing 200,000 people, the organization's gross profit margin for prescription drugs is forecast to grow from 34.7% in 2010 to close to 36% by 2017.

Alliance Boots – a dominant player in the UK – is a leading global pharmacy-led health and beauty retailer engaged in the sale of pharmacy-led health and beauty products as well as wholesale and distribution. Its 3,280 retail outlets span 11 countries and 3,180 of those stores have a pharmacy. Its wholesale segment involves the supply of medicines and healthcare products and services to more than 160,000 drug retail outlets, such as hospitals and pharmacies, through 370 distribution centers encompassing 21 countries. The company's revenue for 2011 rose over 15% to more than \$31 billion. Alliance Boots employs 115,500 people.

Between 2008 and 2012, the total UK market for retail sales of pharmaceutical products, medical goods and cosmetic and toilet articles rose by 13.5%. However, the 2008/2009 economic crisis did depress sales growth in 2009 when the sector recorded an increase of just 1.9% in that year.

## Engaging with today's pharmacist community

Traditionally, pharmacists have been low on the list of Big Pharma's targets: one pharma rep operating in the UK told eyeforpharma that pharmacists ran a poor third behind GPs and then secondary care. "Whilst I'm sure some individual pharmacists may be influential, the GPs and consultant's decision will take precedence." This view of pharmacists was echoed by Paul Wilson, then Commercial Accounts Director at Pfizer, at an eyeforpharma SFE conference back in 2009: "Historically, our only interactions with pharmacists were if our sales teams wandered into the pharmacy in an attempt to get information about local physicians and their habits."

Now, however, there is more interest in interacting with pharmacies as governments and other payers push pharmacists to get out from behind the counter and become active members of each patient's primary healthcare team. Wilson was one of the pioneers of an engagement strategy which recognizes that pharmacists can be particularly influential through their often close relationship with the local community. Back in 2009, Wilson highlighted the opportunity for pharma to support pharmacists transitioning into their new role: Pfizer began reinvesting in pharmacy as a customer group, with dedicated sales teams visiting community and hospital pharmacists both to sell to them and also to help them understand their new role in the primary care sector. At the time, Pfizer introduced a KAM team to augment its field force.

"In our KAM approach, we try to address their needs and bring services that suit them," he said. "But it takes a completely different approach, particularly because we don't always have something we actually want to sell to them, because the majority of prescriptions are still written by physicians. What we're after is engaging pharmacy to help them add value for the patient."

*"While pharma companies see the impending revolution as inevitable, many pharmacists are not yet prepared for the change"*

Even if progress has been slow, pharmacy is still regarded as a sector with promise, especially in light of increasing resistance from physicians to traditional sales interactions, and pharma is adapting the way it interacts with these increasingly important healthcare professionals to accommodate their new role. GSK is investing in the pharmacy channel with a global strategy translated into local implementation at subsidiary level. Cedric Pantaleon, Director European Pharmacy Channel, GSK Consumer Healthcare, explains that, while pharma companies see the impending revolution as inevitable, many pharmacists are not yet prepared for the change.

He suggests the pharmacy schools have yet to include much in the way of business management and patient/customer management in their curricula. US commentators advise that the situation is a little more advanced there, with increasing recognition that these types of skill-sets are important. Indeed, some colleges are beginning to promote them – primarily through elective courses – while they are increasingly available as continuing education programs.

In the absence of support from other quarters, big pharma needs to help pharmacists adjust to their new role, Pantaleon emphasizes. "Leading healthcare companies need to engage with the pharmacists to help them with their business and patient orientation."

For instance, a sales split in a community pharmacy might in the recent past have typically followed Pareto's law with 80% Rx (prescription drug) sales compared with 20% OTC drugs. This split in value is changing, in Pantaleon's view, and revenues will depend more on OTC and services in the future.

GSK has been helping pharmacists promote both their own business and relevant products with campaigns such as 'Ask your pharmacist first.' There are several strands to the approach including training programs for pharmacists and supporting them by keeping them up to date with the latest scientific and product knowledge. GSK aims to promote the "superior science" of its products and to keep pharmacists informed of innovations. At the same time, the company offers business management expertise and training for pharmacy teams.

One approach which has long been standard sales practice in many retail and business environments is cross-selling. This is the practice of selling an additional product or service to an existing customer: for the vendor, the benefits are obvious – more revenue and improved profits – as well as efficient use of time.

Indeed, cross-selling in pharmacy is potentially being elevated to the status of a 'solution sale', a concept well understood in business whereby several different offerings are packaged to provide a complete solution to a particular

problem. Thus, a pharmacist might offer a solution to a particular condition in order to promote a particular health outcome. The sale of additional products – including OTC drugs – may serve to promote a better outcome than the Rx product on its own. In the US, the concept is even extending to the grocery sector and the cross-selling of foods and home goods, eg for arthritis and low-vision patients. Potential here is still very much untapped.

Cross-selling comes in its own specific flavor when applied in the pharmacy market and needs to be delivered in a patient-centric way with the aim of empowering the patient and delivering better outcomes over the medium to long term. One familiar example of providing a better healthcare solution stems from policy in relation to chronic obstructive pulmonary disease (COPD).

GSK's Pantaleon points out that pharmacists have the capability to deliver a more comprehensive COPD solution by recommending combinations of reimbursable and OTC products, for instance smoking-reduction treatments where these are relevant. Not only does this approach deliver a potentially better outcome for the patient, while also promoting a preventative methodology, it offers several prospective benefits to the pharmacist in terms of higher sales and profits, possible improved cashflow, diversification and the potential to offer further services such as clinics as part of a comprehensive solution.

Up-selling is another familiar sales concept in retail and most business environments, whereby the agent encourages the purchaser to buy more expensive items, upgrades, or other add-ons in a bid to make a more profitable sale. It too may have a legitimate application in a pharmacy context when a pharmacist recommends one alternative over another or a branded product over a cheaper generic when this is in the best interests of the patient, for instance when there are relative contraindications or specific side-effects to take into account. Thus, it is important for pharma organizations to keep pharmacists up to date with the advantages of their products through their marketing and sales channels.

Of course, pharmacists don't necessarily enter their profession to become salespeople, and Pantaleon is keen to stress that such techniques need to be exercised in a truly patient-centric way. Asked whether the concept of selling is new to the pharmacy profession, he declares: "I definitely agree with that."

The pharma industry rates staff training and marketing support activities as their most important tools for developing the pharmacy channel. Pharma companies also assess their support for pharmacies for POM- to- P switches as very good. Pharmacists themselves also rate this as good and report that they receive the best support from Reckitt Benckiser, followed by GSK and Bayer. At the same time, they assess their support for manufacturers with POM-to-P switches as good; however, manufacturers only consider it to be average. This discrepancy is likely to be related to the fact that, when a drug is reclassified, most pharmacists recommend the OTC generic instead of the branded switch. This is an area for pharma to address.

## Outsourced teams

According to Jack Kelly, chief business development officer at US-headquartered Pharmacist Partners, the flows of product and information in today's pharma market are complex. "The pharmacist represents the single final human point of contact with the patient when filling a prescription."

And because pharmacists enjoy a high degree of trust in the local community, they enjoy a position of considerable influence. This means the pharmacist is in a strong position to influence patient adherence to the drug regimen. Health policy-makers have been striving for better adherence for a number of reasons. "Whether you call it medication adherence, persistence, or compliance, it costs the pharmaceutical industry – and the entire healthcare system – billions of dollars each year," says Kelly. "The human cost is harder to calculate."

Figures from the US indicate that the human cost of non-compliance includes 1.5 million preventable injuries result from medication errors.<sup>1</sup> At the same time, the cost to pharma was \$188 billion or 59% of the total revenue in 2011 from prescriptions not filled, taken, or refilled correctly, according to a recent Capgemini report.<sup>2</sup> The cost to the healthcare system is also substantial: 13% of US health care costs – or over \$300 billion per year – are said to be caused by poorly prescribed or administered medication.<sup>3</sup>

"This adherence problem is present across a wide range of disease categories," says Kelly, who was formerly National Director of the Managed Markets Department at Daiichi Sankyo Inc. The solution has been seen as medication

<sup>1</sup> Preventing Medication Errors, Institute of Medicine, 2007

<sup>2</sup> Estimated Annual Pharmaceutical Revenue Loss Due to Medication Non-Adherence, Capgemini, 2012

<sup>3</sup> Thinking Outside the Pillbox, New England Healthcare Institute, 2009



counseling – ‘medication therapy management’ (MTM) – something which has been embraced by Medicare and leading providers. Under these circumstances, the influence of the pharmacist is clear: with payers limiting the prescribing choices of physicians and seeking to control budgets, MTM seeks to review the medication regimen of patients with complex conditions and multiple prescriptions. The pharmacist will review the combination of medications a patient has been prescribed and will make recommendations over whether some products may be discontinued, or the patient should be switched to a different combination of products, or whether a different dosage may be appropriate. “80% of the time, the doctor will accept the recommendation of the pharmacist,” Kelly declares.

*“Pharma companies have the opportunity to plug the hole created by non-compliance; outcomes are generally better for the patient; and the healthcare system wins as a result of lower overall costs”*

The result of such reviews is that prescription of generics may go up but, at the same time, medication use goes up, and this obviously includes both generics and branded drugs. It seems that this is a case where everyone’s a winner: pharma companies have the opportunity to plug the hole created by non-compliance; outcomes are generally better for the patient; and the healthcare system wins as a result of lower overall costs – for instance, because of fewer referrals to secondary care – despite the increased drug costs resulting from the patient adhering to the regimen.

More informed pharmacists can help pharma in other ways too, for instance by notifying payers when there is a need for a specific drug in instances when this is not on the formulary.

Kelly’s organization works in a similar way to CSOs (contract sales organizations) within the pharmacy context but with one important distinction. The members of the team are pharmacists themselves and so they interact with target pharmacists on a peer-to-peer basis. “Our pharmacists go in to deliver value, not a sales message,” he tells eyeforpharma. Kelly, who himself has a pharmacy degree, emphasizes that the way pharma companies relate to pharmacists is vital: the approach requires a move away from pharma’s traditionally product-centric approach to a more patient-centric model.

Kelly notes that GSK has been a pioneer of so-called clinical pharmacy liaison in the US with a 100-strong team of pharmacist reps who call on retail pharmacists. Other members of the top five pharma companies have adopted similar approaches. “This is now becoming a trend with pharma organizations focusing on specialty and retail pharmacy,” Kelly explains. But what about smaller companies, which can not necessarily afford such a substantial investment? They can outsource pharmacy liaison in a similar way that they might engage a CSO for their traditional detailing and can ramp up resources quickly for specific activities such as a product launch or to engage specific segments of the market, for instance ethnic markets.

Kelly emphasizes that the typical pharmacist partner is much more than a rep targeting pharmacies. “The typical partner is a credentialed, advanced-degree pharmacist with an average ten years’ clinical experience. They have consultative expertise in disease states and MTM. They maintain established relationships with top prescribers and related professionals in their community.”

## The pharmacist’s view

Dr Salvatore Giorgianni is a practising pharmacist in the US and a former Pfizer executive and pharmacy school professor. A specialist in men’s health and adviser to the Men’s Health Network, he co-led the group at Pfizer looking at non-physician prescribers such as nurse practitioners. “The view was that non-physician prescribers would become increasingly important as prescribers and specifiers through 2015.”

At Pfizer he was also instrumental in setting up the Pfizer Pharmacist-Patient Counseling Program, which still forms the basis of what’s taught in pharmacy schools. It centered on understanding what pharmacists’ needs were, building their confidence in advising patients and how this advisory role would fit into their workflow.

He charts the changing influence pharmacists have had on the pharma marketplace down the years, saying: “Pharmacists have always been important as gate-keepers from the 1970s and 80s onwards because they can keep a drug off the formulary or restrict its use through administrative means.” At the same time, local pharmacists were an important source of market intelligence for pharma companies with their close connections to the local community. This flow of information back to the manufacturers changed with the advent of the pharmacy chain era,

when interaction was channeled through purchasing managers.

Dr Giorgianni explains why pharmacists are now important as a group to big pharma: “Pharmacists can help pharma companies combat the notion of medicines as commodities.” Particularly in the context of medicine review, pharmacists have an important new role as a mediator between the patient, the prescriber (including NPs, PAs, dentists, podiatrists, optometrists and doctors) and the supplier, which pharma companies would do well to note. They can sell the value of the medicine and one particular drug over another in terms of its efficacy and side-effects or the way it interacts with other prescriptions. This advice is not confined to saving patients money; for instance, pharmacists can discuss the value of new drug technology compared with the previous era (for instance, with insulin and diabetes drugs). The key is to be patient-centric, stresses Dr Giorgianni, and to help patients understand why newer products have distinct advantages and are not just more expensive me-too products.

As advisers, pharmacists often have the advantage over GPs in being able to spend longer with patients, to “take time as a trusted professional”. Dr Giorgianni has 20-30 minutes to conduct a typical MTM interview with a patient that focuses solely on Rx and OTC medications, compared with the typical ten-minute comprehensive consultation they will get with a GP.

In this context, pharmacists can start rebuilding the “value proposition of the drug” – especially branded products – and explain the difference between different offerings and between branded drugs and generics as well as the need for compliance. “Pharmacists have a huge credibility cache with patients, physicians and some programs,” Dr Giorgianni declares.

Being paid for this service remains an issue under many circumstances, but his advisory work is covered by CMS (the Centers for Medicare & Medicaid Services) which currently pays up to \$150/hour for counseling. “We need to get the value of this service recognized. Everybody wants us to do it but nobody wants to pay us for it,” he adds.

Dr Giorgianni sees several market areas where pharmacists can be influential and potential important allies for pharma. For instance, pharma companies have excellent programs in place supported by its field forces to “really promote vaccination”. He adds: “The chains and the pharma companies have seen how that has really mushroomed the market as well as served the public health. There’s no reason why they couldn’t expand into travel vaccines.” He also sees expanding potential in the corporate market for medication counseling services, for instance with employees who are depressed or missing work. The employer pays the pharmacist to build a mindset in the employee, to keep taking the relevant prescribed medication.

Many Americans fail to adhere to their medications because doing so makes them feel “sad”, “old”, or “worried”, according to the recent HealthPrize Medication Non-Adherence survey. “Taking medication is a daily reminder of your illness and your status as a ‘patient’ so it’s a negative experience that people instinctively want to avoid,” says Dr Katrina Firlik, co-founder and chief medical officer of digital health company HealthPrize.

“Psychologically, people tend to prefer actions that offer short-term benefits but most chronic medications provide no short-term benefits, only short-term annoyances. So people may skip taking or stop refilling their medication altogether even if the long-term risks to their health are enormous. That’s the reality of medication non-adherence that needs to be addressed,” Dr Firlik says.

Dr Giorgianni agrees: “One of the things I do when I counsel patients is find some small success they have; blow it way up and use that as a motivator to do what people hate... admit they are ill and relegate control. In the past, the physician would have had to persuade the patient. Then, in the mid-80s, it was the nurse practitioners who would have filled that motivational role. Even the nurse practitioners now only have 15-20 minutes.”

## The pharma executive’s view

GSK’s Cedric Pantaleon foresees all interested parties – governments, corporates and payers – investing more in preventative care with a key role for pharmacists. “The best way to do that is through the pharmacist,” he argues. “Pharmacists can play a much broader role. We’re seeing this as a revolution in the pharmacy channel!”

So, in a healthcare sector notorious for its conservative approach, how quickly can we expect to see change moving ahead? “We see this moving fast now. The healthcare system is under such tension now that the model has to change. We’ve been living with this for five to ten years,” Pantaleon says. Nevertheless, there is resistance to change within the pharmacist community and throughout the healthcare sector. “We will support them in the change,” he adds.



Of course, the change cannot come exclusively from the pharmacy sector. It's also down to governments to play their part. Agreeing with the views of Dr Giorgianni, Pantaleon flags up the need to finance the change, with pharmacists requiring incentive and support. "In Europe, we are moving at different paces. The quicker the change happens, the better."

He cites the extreme example of Greece where there is a large over-supply of pharmacies with some 10,000 pharmacies per one million population. "A lot will close if they don't change, maybe as many as 30-40% in the next five years."

So what is the way forward? Like many sectors, pharmacies face a choice between two paths. One is a value-for-money-driven approach with more consolidation, a more liberalized price-driven market that drives the commoditization of drugs and promotes increased market share for OTC and generic offerings. The second path involves pharmacies developing the range of services they are able to offer in conjunction with GPs and healthcare centers and will see pharmacists forging closer connections with GPs and become increasingly patient-centric in their approach.

More roles like Pantaleon's own will come into being, as pharma companies seek ways to implement their global strategy at local level. Key account teams will continue to deal with the major partners and wholesalers and drive interaction with the pharmacy chains. However, pharma companies will increasingly develop specific tools for community pharmacies for delivery by the field force or a CSO. This will require training in understanding the specific requirements of pharmacists as a market segment, while different geographies will demand their own local interpretations.

Further change will be driven by the online market as "e-retail becomes more important", but Pantaleon notes regulatory constraints as a potentially significant factor. He suggests that pharma companies will be looking to implement global strategies in relation to online but these will again be executed at the local level in light of different regulatory environments.

## Conclusion

There are major opportunities for pharma to support pharmacists by promoting their new role. They also have the prospect of engaging pharmacists not only to sell more products but also to boost adherence to the often complex drug regimens prescribed to a growing number of patients. If managed properly, such a model will bring clear benefits to several stakeholders: first, to the patient in terms of better health outcomes; secondly, better compliance and adherence will, in turn, mean a substantial revenue boost both for pharmacists and for the pharma organizations supplying them; thirdly, although overall drug revenues will increase, better health outcomes over the longer term will result in reduced secondary healthcare costs for payers.

One model for the future of the pharmacy sector can be seen in the North Carolina Kerr Drug organization where the pharmacy operation accounts for about two-thirds of sales. It operates a so-called 'Enhanced Pharmaceutical Care Center' model, with resource centers within several of its pharmacies where patients can access clinical services in the convenience of their local drug store. Fully staffed by a Doctor of Pharmacy and pharmacy residents from partnering universities, patients are able to access screenings for diabetes, cholesterol, osteoporosis, thyroid disease, PSA, peripheral artery disease, skin damage, plus programs for smoking cessation, weight loss, asthma management, and more. To boost loyalty amongst customers buying prescription medications, it offers Rx Rewards and an Rx Club Card.

Most pharmacists recognize that customer service quality and a wide range of pharmacy services have become more important as a future growth driver. Such factors are especially important for the independent sector, which will need to prioritize customer service and consultation to drive growth. In turn, pharma thought-leaders have recognized the potential of pharmacists' new role as a way of boosting their own revenues.

The change in the market still has a way to go with patients and consumers slowly warming to the new services offered by pharmacies. In the UK, only 6% of consumers report that they visit to use pharmacy prevention programs, diagnosis, health checks (such as blood pressure testing and diabetes screening) and 6% other pharmacy services (such as smoking cessation programs, medication review and weight management). For 3% of consumers, these pharmacy services are an important factor when choosing a pharmacy, whilst 40% report that good consultation is an important factor.

Pharmacists, like many healthcare professionals, have resisted change for several years now. However, academics, thought-leaders and policy-makers predict a rapid transformation of the pharmacy landscape over the short term: as with so many other areas of commerce, the status quo is not an option for pharmacy businesses.

Forward-thinking pharma companies will undoubtedly assist pharmacists if they choose a new business model based around a range of value-added services, as well as up-selling and cross-selling products to provide comprehensive solutions to building successful health outcomes. Pharma can provide valuable business expertise to support pharmacies, alongside product knowledge and effective marketing support, as part of longer-term strategy to boost their own revenues.

The key to engaging the pharmacy sector going forward is for pharma organizations to respond and interpret the forces shaping the pharmacy marketplace and to help pharmacists evolve and thrive in this new business environment. It involves understanding pharmacists' customers – mainly health consumers but also other primary care stakeholders – and responding to their requirements, in order to help pharmacists serve them more effectively: so-called 'third-box' thinking.

Consequently, pharma sales approaches to pharmacists need to address 'the customer's customer' and add value to pharmacy businesses, and not simply be based around assumptions that patients and payers will continue to fund a product-centric approach and a proliferating range of hard-to-differentiate products.

\* Global Pharmaceutical Industry Outlook Survey 2011–2012: Industry Dynamics, Market Trends and Opportunities, Buyer Spend and Procurement Strategies.

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