

### A PRACTICAL CE SERIES FOR PHARMACISTS SEEKING TO SUSTAIN AND BUILD AN EXPANDED SCOPE OF PRACTICE

#### Learning Objectives

Upon successful completion of this lesson, you should be able to:

1. Understand the major components of conducting market research.
2. Identify best potential market segments based on research and capacity.
3. Understand a major component of target marketing: Market Positioning.
4. Implement a marketing plan effectively.

#### Instructions

1. After carefully reading this lesson, study each question in the post-test and select the one option you believe is the best answer. Although more than one option may be considered acceptable, only one option is the best answer.
2. To pass this lesson, a grade of 70% (14 out of 20) is required. If you pass, your CEU(s) will be recorded with the relevant provincial authority(ies). (Note: some provinces require individual pharmacists to notify them.)

#### Answering Options

- A. For immediate results, answer online at [www.pharmacygateway.ca](http://www.pharmacygateway.ca).
- B. Mail or fax the printed answer card to (416) 764-3937. Your reply card will be marked and you will be advised of your results within six to eight weeks in a letter from Rogers Publishing.

## Market Analysis in Preparation for Expanded Services in Pharmacy Practice

Mike Jaczko, BSc. Phm  
Peter Adams, BSc. Phm, MBA  
Andrew Lockie, BA, MBA

**"If you are not thinking customers, you are not thinking."**

— Dr. Ted Leavitt, Harvard Business School

#### Introduction

There was a time when marketing seemed simple. Launch a product or service, put a price on it, make people who could afford it aware of it, and wait.

In today's business climate it no longer seems so simple. Commonly used and understood terms such as "demand" are now broken down into a multitude of confusing sub-categories such as over-full demand, irregular demand, latent demand, negative demand, and niche demand. The definitions within marketing seem accessible only to marketing experts.

Even if an enterprising pharmacy operator gets the definitions straight, the process of applying information into concrete beneficial actions seems daunting. Somewhere along the line market analysis became so complicated that it only seems to apply to large corporations with seemingly limitless resources and expertise.

A spirited business operator might not be dismayed in the face of these facts. Nevertheless, pharmacy operators must pay attention to shifts in their marketplaces. Exactly when did baby boomers stop buying diapers and start buying nutritional supplements anyway?

Perhaps a few drug store operators navigate through this minefield, and are able to develop a clear analysis of the nature of their marketplace, and even know whom they will target within it. They would then face yet another complication. In the age of the Internet, cell phones, and the continual decline of print media,<sup>1</sup> reaching a customer base, no matter how well defined, is complicated.

Hidden among this daunting landscape there is exceedingly good news. While market segments, definitions, and mediums to reach people have changed, some basic questions of market analysis and strategic market planning have not:

### Practice CHANGE Solutions

is a series of CE lessons dedicated to helping pharmacists map out a long-term, resource-based plan to create and sustain an expanded scope of pharmacy practice. While each lesson can stand on its own, they are designed to build upon each other, in the order in which they are published. The full series is as follows:

**Lesson 1:** Change Management & Needs Assessment in Pharmacy Practice (June 2007)

**Lesson 2:** Market Analysis in Preparation for Expanded Services in Pharmacy Practice (September 2007)

**Lesson 3:** Essential Business Principles for Expanded Services in Pharmacy Practice (November 2007)

**Lesson 4:** Marketing & Billing for Expanded Pharmacy Services (February 2008)

Note: CCCEP accreditation pending for Lessons 3 and 4

## Get your CE results instantly!

Online answering and accreditation available at [www.pharmacygateway.ca](http://www.pharmacygateway.ca).

- **Who are my current and potential customers?**
- **Which ones should I focus on?**
- **How can I reach them?**

There is more good news: accessing information and answering these questions is within the reach of every pharmacist/manager, regardless of the size and scope of their pharmacy practice.

As you absorb this lesson, take in the elements that will grow your business in a sustainable way, understand the terms that describe these elements, and consider how your situation differs from others. However, if at any point this feels impractical or overwhelming, recall the basic questions above and run your pharmacy accordingly, and you are already one step ahead of many pharmacy operators.

## Understanding Marketing, Market Analysis, and Positioning

Often business operators consider their marketing plan in terms of the budget that has been allotted for promotion. In the minds of many pharmacists, the idea of good marketing is producing an attractive brochure or advertisement. This is a narrow and incomplete notion of the area, and a better understanding of this concept will offer great rewards.

While marketing has no universally accepted definition, the American Marketing Association defines it as follows: **Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual or organizational goals.**<sup>2</sup>

Traditionally speaking, the “market” is a place where vendors gathered to sell their goods to make a more attractive and efficient purchasing opportunity for customers.<sup>3</sup> The current conception of the “market” is much broader and not only describes where products and services are sold and by whom (the “sellers”), but also the people who might buy them (the “buyers”).<sup>3</sup>

Understanding who the potential and actual customers are, and who else is competing for their business, requires a process of market analysis. The means used for this analysis ranges from casual conversation to deliberate data collection.

There is no absolute rule for market analysis methodology. There are, however, two things that hold true. First, incomplete market analysis can offer misleading conclusions, and second, market analysis without conclusions or subsequent actions, no matter how accurate, will not improve your business/practice results.

Section 3 will provide an overview of the ways to collect information. Section 4 shows how to decipher that information and divide customers into “market segments.” Section 5 will demonstrate how to position your business to meet the needs of those market segments.

## Market Analysis

A variety of elements need to be considered when conducting an analysis about the market in which you operate and practise. This section of the lesson will help you to answer the question: **Who are my current and potential customers?**

Before one conducts any type of market analysis, they must assess what information they seek, and why. There are many examples of types of information to seek in the Market Segmentation section of this lesson, but generally speaking, the information sought should be intended to lead to the establishment of groups called “Market Segments.” It is advisable that these segments be:<sup>4</sup>

- **Measurable** What is the size of this group?
- **Substantial** Is this a group worth serving?
- **Accessible** Could I possibly reach this group?
- **Differentiable** Is it clear who this group is?
- **Actionable** Is this a group I have the ability to attract given my situation, means, and interests?

Having a purposeful approach to information collection will surely lead to better information which is obtained more rapidly, and at lower cost.

### I) PRIMARY ANALYSIS

Primary Analysis is analysis that you conduct yourself or contract someone to do for you. This can take place informally through direct verbal customer feedback and casual observation, or systematically through comment cards, surveys, e-mails, and so on.

#### (1) Informal Primary Analysis

Informal primary analysis takes place in a variety of ways and on an ongoing basis. When you notice that people in your pharmacy seem to be a bit older, you have begun an informal analysis of the market you serve. The same is true if a customer tells you that a pharmacy nearby has a professional fee which is \$2 lower than yours. Such information could set you on a path to either a) lower your price/fee, or b) identify what service you offer that warrants the price difference. Again, this process is informal market analysis.

Informal analysis can be dangerous in isolation of other forms of market analysis. This is quite simply because **informal analysis such as your casual observations, or interactions with clientele, are inherently subjective.** One person’s comments may not be reflective of the aggregate reality. For example, a customer may indicate to you that your pharmacy has a very poor selection of vitamins, and they would be more likely to shop with you if your vitamin selection were to be enhanced. However, if you conduct a competitive analysis you may determine that you already have the best vitamin selection among your competitors. Hence you have already captured the share of the market that would use that as a deciding factor in selecting a pharmacy. Therefore to invest in vitamin inventory and increase shelf space for vitamins may well be an inefficient use of resources. It should be noted then that **informal analysis in isolation can lead to misleading conclusions.**

Informal analysis should not be wholly discounted, however, as it can also offer some of the most powerful and detailed insights you will be able to gather. Here are some general rules in gathering helpful informal analysis:

**When a customer voices a complaint, rather than merely trying to retain their business, use the opportunity to grow your business and practice by asking questions that help you understand who they are, what they are looking for in a pharmacy, and how you could meet that need.** Consider (but do not conclude) the possibility that the customer might be representative of a larger, under-served and lucrative customer group. If other market analysis indicates this is a large group that you would like to service but are not positioned to retain, their detailed comments might be helpful in developing a plan to reach them.

**Establish strong relationships and open communication with repeat customers and raving fans.** There are likely people who continually visit your pharmacy and are generous with their thoughts and time. Discuss the factors that draw them to your pharmacy. There may be inherent strengths to your business that you do not see, but may be crucial to your success.

The key point to informal analysis is to not trust it in isolation of other facts, but also to not discount the possible benefits in the development of a high-impact marketing strategy.

**(2) Formal Primary Analysis**

Formal primary analysis involves the process of using tools such as sales data, questionnaires, surveys, and interviewing to gather information. This

approach is often used to gather specific information when a business is considering changes. While this work can be done internally, it can be very specialized in nature so small to mid-size

businesses commonly hire market research firms to conduct the work.

Telephone Questionnaires/Surveys		
Advantages	Challenges	Tips
<ul style="list-style-type: none"> <li>• Instant information</li> <li>• Two-way communication flow</li> <li>• Detailed information</li> <li>• Ability to focus questions on areas of interest</li> <li>• Quick to set up and begin</li> <li>• Ability to alter approach if necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Process intensive and likely requires hiring a market research firm</li> <li>• Smaller sample size</li> <li>• Attaining appropriate contact info to ensure reliable data</li> <li>• People may feel disturbed by being contacted at home</li> <li>• Many do not answer questions in this format</li> <li>• Time spent talking to them must be brief</li> <li>• Cost</li> <li>• Many phone numbers are not publicly available</li> </ul>	<ul style="list-style-type: none"> <li>• Hire a professional to make calls</li> <li>• Listen in where possible</li> <li>• Offer incentives for people to complete the survey, such as a free product or the chance to win a gift certificate</li> <li>• Stress anonymity with your participants</li> </ul>

Written Questionnaires/Surveys		
Advantages	Challenges	Tips
<ul style="list-style-type: none"> <li>• Easier to acquire large sample group</li> <li>• Low cost (per response)</li> <li>• People can fill it out at a time that is convenient to them</li> <li>• Can mail out form, set up online and mail out url, or both</li> <li>• Can be completed internally</li> <li>• Ability to focus questions on areas of interest</li> <li>• Can “target” delivery to a very specific geographic area</li> <li>• Respondent experience consistent</li> <li>• Respondent can remain anonymous</li> <li>• Can leverage surveys as a tool to draw people to your pharmacy (i.e. drop off questionnaire for complimentary item)</li> </ul>	<ul style="list-style-type: none"> <li>• Low response rate</li> <li>• Delay from delivery of survey to receiving results</li> <li>• Cost</li> <li>• Absence of two-way communication, which offers less depth</li> <li>• No ability to change approach once delivered</li> </ul>	<ul style="list-style-type: none"> <li>• Consider hiring a professional market researcher</li> <li>• If a professional market researcher is too expensive, consider pursuing a joint venture with other local businesses</li> <li>• Before drafting a survey, consider what specific information you are hoping to gather (i.e., would you like a profile of the community's demography, or their preferences?)</li> <li>• Draft questions that are simple and direct</li> <li>• Avoid “leading” questions</li> <li>• Sequence questions in logical connected groupings</li> <li>• Sequence from less in-depth to progressively more in-depth</li> <li>• Test questions with a small group: measure the types of responses solicited by the questions; quiz the test group on details such as font and layout; revise and re-draft; re-test with the same group</li> <li>• Focus distribution of the survey/questionnaire to geographic areas containing market segments you deem to be appealing</li> <li>• Offer incentives for people to complete the survey, such as a free product or the chance to win a gift certificate</li> <li>• Stress anonymity with your participants</li> </ul>

**Selected Sources**

- Trends & Insights 2006 (annual surveys of pharmacists and pharmacy owners), available at [www.pharmacygateway.ca](http://www.pharmacygateway.ca) and [www.monportailpharmacie.ca](http://www.monportailpharmacie.ca)
- *Pharmacy Post* and *L'actualité pharmaceutique*, available at [www.pharmacygateway.ca](http://www.pharmacygateway.ca) and [www.monportailpharmacie.ca](http://www.monportailpharmacie.ca)
- *Chain Drug Review*, available at <http://www.chaindrugreview.com>
- *Drug Store News*, available at <http://www.drugstorenews.com>

Interviews/Focus Groups		
Advantages	Challenges	Tips
<ul style="list-style-type: none"> <li>• Instant information</li> <li>• Two-way communication flow</li> <li>• Detailed information</li> <li>• Ability to focus questions on areas of interest</li> <li>• Ability to alter approach if necessary</li> <li>• In a group setting, people can be prompted to ideas they might not have come up with independently</li> <li>• Inexpensive (when conducted by the business operator)</li> <li>• Can get in tune with the “language” of the people using pharmacy services</li> <li>• Can offer support and detail to survey data</li> <li>• Can be done internally</li> </ul>	<ul style="list-style-type: none"> <li>• Small sample size may not reflect the broad view of the community</li> <li>• Information gathered is highly subjective</li> <li>• Recruiting appropriate interview subjects or focus group participants</li> <li>• Personal setting may affect openness of respondents</li> <li>• Reliant on approach and skill of focus group facilitator or interviewer</li> <li>• In focus group setting, certain personality types can dominate and muffle the views of others</li> <li>• Captures a moment in time, which makes information vulnerable to being affected by moods, recent experiences</li> </ul>	<ul style="list-style-type: none"> <li>• Consider hiring a professional marketing firm</li> <li>• Take time to ensure that interview subjects and focus group participants are reflective of the group you hope to better understand</li> <li>• Offer incentive to those who agree to participate, but be sure that the incentive does not recruit a singular type of person</li> <li>• Questions should be direct and clear, and not “leading”</li> <li>• Set tone by asking for total honesty because decisions may well be made based on what they say</li> <li>• Look for patterns in comments</li> <li>• Group comments and look for common messages and themes</li> <li>• Don't be afraid to seek clarity if a response is ambiguous</li> <li>• Stress anonymity with your participants</li> </ul>

## II) SECONDARY ANALYSIS

Another method of market analysis is secondary analysis. This is validation work based on research that has already taken place and may offer insight

into your market. Information may be focused and industry-specific such as books, magazines, trade journals, and newsgroups. It also might be broad such as census data or municipal statistics. This type

of information is vital, as it indicates social and demographic trends that could have enormous impact on your business.

### (1) Industry-Specific Secondary Analysis

Advantages	Challenges
<ul style="list-style-type: none"> <li>• Focus on pharmacy may offer insight that is more appropriate</li> <li>• Specific analysis on pharmacy industry reduces time sifting out irrelevant data</li> <li>• Immediate availability</li> <li>• Low cost</li> <li>• High volume of data</li> <li>• Can help confirm or instruct approach taken to primary analysis</li> <li>• Multiple sources afford the possibility of comparing studies, data, and regions</li> </ul>	<ul style="list-style-type: none"> <li>• Reliance on external source for information</li> <li>• Source may be biased</li> <li>• Research may be incomplete</li> <li>• May not be current</li> <li>• May be relevant in aggregate, but not to your locale</li> <li>• Data not likely specific to your situation</li> <li>• Need to be able to interpret the sources appropriately</li> </ul>
<b>Selected Sources</b> <ul style="list-style-type: none"> <li>• Trends &amp; Insights 2006 (annual surveys of pharmacists and pharmacy owners), available at <a href="http://www.pharmacygateway.ca">www.pharmacygateway.ca</a> and <a href="http://www.monportailpharmacie.ca">www.monportailpharmacie.ca</a></li> <li>• <i>Pharmacy Post</i> and <i>L'actualité pharmaceutique</i>, available at <a href="http://www.pharmacygateway.ca">www.pharmacygateway.ca</a> and <a href="http://www.monportailpharmacie.ca">www.monportailpharmacie.ca</a></li> <li>• <i>Chain Drug Review</i>, available at <a href="http://www.chaindrugreview.com">http://www.chaindrugreview.com</a></li> <li>• <i>Drug Store News</i>, available at <a href="http://www.drugstorenews.com">http://www.drugstorenews.com</a></li> </ul>	

### (2) Broad Secondary Analysis

Advantages	Challenges
<ul style="list-style-type: none"> <li>• Usually independent and unbiased</li> <li>• Can offer trends or projections</li> <li>• Low (or no) cost</li> <li>• Readily available</li> <li>• Can help confirm or instruct approach taken to primary analysis</li> <li>• Multiple sources afford the possibility of comparing studies, data, and regions</li> </ul>	<ul style="list-style-type: none"> <li>• May not be current</li> <li>• May be relevant in aggregate, but not to your specific locale</li> <li>• Data possibly specific to your circumstances</li> </ul>
<b>Selected Sources</b> <ul style="list-style-type: none"> <li>• Census Data (<a href="http://www.statscan.ca">www.statscan.ca</a>)</li> <li>• Municipality (City Hall, Website)</li> <li>• Local Better Business Bureau</li> <li>• Local Economic Development Corporation</li> <li>• Local Chamber of Commerce</li> </ul>	

## III) COMPETITIVE ANALYSIS

Much can be learned by assessing your competitors. It is important to focus efforts in this regard to gain insights, not simply for interest. How do the respective shopping experiences compare, in your view? What customer do they seem to be trying to target? What strengths do they demonstrate? What weaknesses do they have? How might they react to changes you make in your business? Would they react at all?

To conduct a competitive analysis, consider the following steps:

- 1) Identify your competition** This could be anyone that is selling the same products and services as you to clientele you would covet. While pharmacies would make up the bulk of obvious competitors, think beyond this to get a complete picture of your customers.
- 2) Classify your competition** Divide your competitors into clusters such as:
  - a. Size (i.e. large, medium, or small)
  - b. Corporate structure (i.e. independent, corporate branch, franchise)

- c. Competitive style (i.e. aggressive, passive, proactive, reactive)
- d. Location
- e. Strengths
- f. Weaknesses
- g. Price point
- h. Service model dimensions (i.e. additional professional services, delivery, available non-pharmaceutical products, etc.)

- 3) Classify yourself** Place yourself within the clusters that you just created. Those with whom you share the most "clusters" are likely your key competitors.
- 4) Evaluate the landscape** Are you in crowded clusters that are intensely competitive? Are there clusters that seem under-served? If so, you may choose to conduct further market analysis and fill the demand in a potentially under-served sector. This type of demand is called "latent" demand.<sup>5</sup>
- 5) Watch and learn** Identify the strengths different competitors bring to bear. Examine yourself and consider whether you could build that into strength for your pharmacy. First, however, be

sure to consider the benefit that strength provides to your competitor. For instance, a competitor's strength might be providing the personal touch achieved through counselling of medication. However, it is the benefit of that strength, customer retention and customer loyalty, that is the key. Evaluate the overall cost of that strength and its benefit. For instance, providing the personal touch may reduce the speed that prescriptions can be processed, thus reducing volume and making your pharmacy less attractive to the customer who values convenience.

### Summary of Market Analysis

*It is through the process of primary, secondary and competitive analysis that you gather the information you will need to take an informed approach to selecting the market position(s) you will choose to pursue.*

## Market Segmentation

Once you have gathered information through a process of primary, secondary, and competitive analysis you are in a position to break groups into “segments” and consider how you are positioned to serve each segment.

Market segmentation is the process of identifying a group of customers who share a similar set of wants.<sup>6</sup>

One of the challenging aspects of market segmentation is trying to identify what exactly constitutes a segment. A helpful starting point is

to consider four major segmentation variables: geographic, demographic, psychographic, and behavioural.<sup>7</sup>

Examples of market segment variables <sup>7</sup>	
<b>Geographic</b> <ul style="list-style-type: none"> <li>• Region</li> <li>• City</li> <li>• Neighbourhood</li> <li>• Density (i.e. urban, suburban, rural)</li> <li>• Climate</li> </ul>	<b>Demographic</b> <ul style="list-style-type: none"> <li>• Age</li> <li>• Family size</li> <li>• Family life cycle (young, single; young, married w/children; older, married w/out children; etc.)</li> <li>• Gender</li> <li>• Income level</li> <li>• Occupation</li> <li>• Education</li> <li>• Religion</li> <li>• Race</li> <li>• Nationality</li> <li>• Social class (i.e. lower, lower-middle, etc.)</li> </ul>
<b>Psychographic</b> <ul style="list-style-type: none"> <li>• Lifestyle (sports-oriented, culture-oriented, etc.)</li> <li>• Personality (compulsive, introverted, etc.)</li> </ul>	<b>Behavioural</b> <ul style="list-style-type: none"> <li>• Occasions (regular or sporadic type use)</li> <li>• User status (existing customer, former customer, non-customer, etc.)</li> <li>• Loyalty</li> </ul>

These variables are, of course, general in nature and you will also want to collect information that is more specific to your business circumstances.

Examples of specific dimensions that you might consider gathering:

- Price sensitivity
- Importance of convenience
- Importance of friendly and knowledgeable staff
- Importance of efficient service
- Importance of location
- Importance of delivery
- Trust of pharmacist
- Other services and products available in the store

There is no limit here. Consider what benefits you offer your customers, and what benefits your competitors offer their customers, and test the importance of those benefits. Often what we, the pharmacy operator, consider to be highly valued is, in fact, not valued, and vice versa.

Once the variables are determined, the process of establishing market segments can begin in earnest. This helpful seven-step process of segmentation is referred to as the needs-based market segmentation approach:<sup>8</sup>

**1. Needs-Based Segmentation** Using primary analysis, cluster groups based on common needs or service gaps that are shared. For instance, perhaps there is a segment that

requires delivery from their pharmacy. At this point it does not matter why the groups require delivery. Perhaps some of these people are immobile; perhaps some are mobile but extremely busy and cannot pick up their prescriptions. All that matters is that they share a common need.

- 2. Segment Identification** Within the needs-based segment you have found, use primary and secondary analysis to identify and differentiate the group (i.e. age, income-level, geography). Now is the time to begin picking up on trends. For instance, what defines the segment that depends on delivery? Are they older? Are they in a particular neighbourhood? Do they have kids? Are they high-income earners? Are they frequent or occasional customers? At this point you should have established a common need, and the groups that define that need. Keeping with our example, we may have determined that the segment with the need for delivery is in primarily two groups: elderly, loyal, frequent pharmacy using, low-income people; and early middle-aged, fickle, busy, two-worker families, with children, high-income earners, occasional users who place a high value on convenience and service.
- 3. Segment Attractiveness** Assess the segment to establish if this group is worth pursuing. For instance, using your primary or secondary analysis you might determine that a group is

either growing or in decline, or perhaps the market has been “cornered” by a competitor. In our example, our two segments are very different. Do you have a competitor that captures the bulk of the elderly group? If so, recall that we have established this group as being “loyal.” We may find that we could focus our marketing on targeting elderly clientele, including stepped-up home delivery, various forms of compliance packaging, and it would be all for naught. This group is loyal to your competitor and unlikely to switch.

- 4. Segment Profitability** Assess the wants of the segment in question and determine their profitability to your business. Continuing with our example, we may see that the types of purchases made by the early middle-aged group are for your more profitable products. While they are only occasional users, they have more people in their family unit so the total number of prescriptions may be higher. This segment may be starting to look like an attractive unit to consider.
- 5. Segment Positioning** Evaluate, change and maximize your overall value proposition (the package of benefits you offer) to this segment.
- 6. Segment “Acid Test”** Play out (in theory or practice) how any changes you consider will impact how attractive you are to a market segment. This can be done with additional primary analysis, or drafted out simply as pros and cons

from the perspective of the customer. Perhaps an interview with a prototypical member of the early middle-aged segment that requires delivery would give you insight into how your positioning would affect their buying behaviour.

- 7. Marketing Mix Strategy-** Consider how to more broadly position your pharmacy to serve this segment. Perhaps you could offer more products and services that would appeal to the targeted segment. Your promotions could be designed to appeal to that group. This would be where you might consider other retention factors for the segment that you have targeted. For instance, you suspect that the group may behave in a fickle manner and place higher value on convenience and service. It would seem then that dropping your prices would not greatly affect your ability to retain this group. You will need to focus efforts on convenience and service. Perhaps you should *increase* your prices on services used by this group and use a portion of the additional revenue to enhance the convenience and service you offer. **In other words, you will be in a position to allocate your resources in a focused way, according to the customers that you are targeting.**

The process of market segmentation might be seen as limiting, as it promotes focus on particular groups, possibly at the expense of others. To this point there are two key considerations:

- 1. There is no limit on the number of market segments a pharmacy can pursue.** Many businesses are very nicely positioned to capture multiple market segments, either with a singular approach or multi-faceted approach. For instance, if you were to divide your customer base into those who required extra and disease-specific counselling and those who wanted to “get in and out” quickly, you would likely have two very different market segments. Both could be served simultaneously if you tailored your approaches based on each segment’s characteristics; for instance, the pharmacy’s physical layout would cater to those whose needs for counselling required a specific counselling area. However, there is the risk of taking this too far. Any effort designed to serve *all* possible segments will be confusing and likely serve no one particularly well. Some marketing strategies will, in effect, prevent other segments from being likely customers. For instance, if you raise your professional fee to provide a higher level

of service with more employees and resources, you will no longer capture the customer that is primarily motivated by price. **So we know that some market segments can only be captured at the expense of other market segments. Efforts to try to position your pharmacy to serve all segments effectively prevent it from serving any segment well.**

- 2. Some segments are not worth pursuing.** If a market segment is expensive to attract and/or retain in relation to other groups for your business location or model, then efforts made to pursue that segment are likely a bad investment.

## Positioning

Step five of the seven-step needs-based market segmentation approach<sup>8</sup> identifies the need for “positioning.” Positioning is “the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market.”<sup>9</sup>

### EVALUATING INTERNAL CAPACITY

To establish a market position that is practical and sustainable, a pharmacy operator must first establish his or her capacity to create and maintain that position.

In all likelihood, to take a market position you will need to be prepared to change the way you currently approach your business or practice.

To assess your readiness for this, recall the helpful five questions in Lesson 1 of the Change Management series:

- (1) Do you have a clear vision of the possibilities and opportunities that are within your reach as a result of an expanded scope of practice?
- (2) Are you personally and professionally committed to doing whatever it takes to change the way you are accustomed to practising?
- (3) Are you prepared to fully engage all your stakeholders – from the front sales counter to behind the prescription counter, inside the pharmacy and out?
- (4) Have you taken time to anticipate all possible reactions or hurdles?
- (5) Can you and your pharmacy team share input honestly, both positive and negative?

Now build in some additional questions:

- What will it cost and do I have the resources to reach my chosen target market effectively?
- Will my efforts to reach a certain target market damage my ability to serve another target market?

### VALUE PROPOSITION

**A value proposition is the package of benefits you offer to entice a customer.** This is not as simple as it may appear. For instance, if you operate a pharmacy with numerous healthcare resources and product information, then your “value” is not simply the goods that you exchange.<sup>10</sup> It is the one-stop access to reliable healthcare information and products.

The benefit of a coherent value proposition flows from the ability to focus on the package of benefits that will be valued by the market segment you have targeted. Perhaps just as importantly, it may prevent you from changing your operations or promoting a service that is not valued by the market segment that you covet.

The possible approaches to enhance your value proposition are endless, but can be focused in the following way considering the four P’s of a “marketing mix.”<sup>11</sup>

No one of the four P’s is necessarily more important than another. Rather, they are different dimensions that all require evaluation and consideration when making changes and positioning. For some market segments, one dimension may mean more than another, but all should be considered together when constructing your “package of benefits.” For instance, price-sensitive customers would consider price the most important dimension, but as an operator you will need to consider where you are located, how you promote your prices, what services you offer, etc. when you consider a change a price. All four of the dimensions are interrelated.

### DIFFERENTIATION

Once market segments are evaluated and selected, and the value proposition is understood, and steps are taken to position your pharmacy to deliver on the value proposition (by evaluating product, price, promotion and place), there must be a process that allows you to clearly set and explain the differences between your pharmacy and the competition. This process is referred to as differentiation.<sup>12</sup>

Some differences are very subtle and hard to convey (i.e. a personal touch to customer service), and some are obvious (such as price) but it is believed that every product can be differentiated to some extent.<sup>13</sup>

In choosing how to differentiate your pharmacy from the competition, consider the following three-step approach proposed in the Edwin T. Crego Jr. and Peter D. Schiffrin’s book *Customer Centered Reengineering*.<sup>4</sup>

Product	Price	Promotion	Place
<ul style="list-style-type: none"> <li>• Consider the products and services that you currently offer. Given the market segment(s) that you are targeting, consider expanding or contracting certain inventories.</li> <li>• Evaluate the placement of products in your pharmacy. Could shelves and displays be altered or moved to be more appealing to some segments?</li> <li>• Perhaps you could develop a new service to enhance your ability to reach a targeted market segment.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the price of your goods and services in relation to the competition. Would reducing price be likely to improve sales volume given the market you are targeting? If the segment you covet is motivated by price and you can reduce costs associated with better service, then the answer is yes. If the segment you covet is motivated by convenience and care the answer is no.</li> </ul>	<ul style="list-style-type: none"> <li>• How do you reach your customer base should depend on who they are and where they live.</li> <li>• Depending on what your target segment values are, you may distribute a flyer or take out an advertisement that promotes the variety of your products and services, or your price, or your services.</li> <li>• Where you send that flyer or place that advertisement will also depend on the market segment you are trying to capture. Most print mediums should be able to provide you with a profile of their readers. Make sure this is in alignment with your target segment(s).</li> </ul>	<ul style="list-style-type: none"> <li>• Consider where you are located. It is appropriate to capture the market segment you would like to target. Changing locations is likely not an option, but if you are poorly located to serve a certain market segment, you may need to abandon your pursuit.</li> <li>• The location may be suitable, but perhaps there are enhancements to consider in the aesthetic qualities of your pharmacy that would provide a better connection to your targeted market segment.</li> </ul>

**1) Defining the customer value model** List all of the things that the target segment would place value on.

**2) Building the customer value hierarchy** Split up the things the segment places value on into four categories:

1. *Basic* This would be the most fundamental elements that must be in place, such as ability to accurately fill a prescription
2. *Expected* These are benefits that are enhancements from basic items, but would not be noted for their presence, only in their absence. For instance, a clean and organized dispensary
3. *Desired* These are benefits that are noticeable and enjoyed when present, but are not surprising. For instance, a friendly smile and advice on the use of a medication by a knowledgeable pharmacist
4. *Unanticipated* A benefit that is noticeable and enjoyable, and not expected by the customer, e.g., patient callback the next day

**3) Deciding on the customer value package**

Select a combination of the items from the four categories that differentiate your pharmacy from your competition. Use those items to engage and further focus your four P's (product, price, promotions, and place).

## Implementation

The impact of a marketing strategy depends on effective implementation. Thomas Bonoma characterized marketing implementation with a helpful framework involving four levels of activities and four managerial skills:<sup>14</sup>

### Activities:

**1) Actions** These must be considered to the finest level of detail (e.g. who changes the price tags)

**2) Programs** The interaction and relation of actions taken within a pharmacy's four P's (e.g. a promotional campaign focused to connect with a chosen market segment)

**3) Systems** The ways in which actions and programs are supported and tracked

**4) Policies** Statements that direct behaviours and decisions at all levels (e.g. age level for a senior discount)

### Managerial Skills:

**1) Interacting** Connecting with, and relating to, all the affected stakeholders (staff, customers, suppliers, doctors)

**2) Allocating** Making necessary adjustments and occasionally tough choices to support the strategy

**3) Monitoring** Constant assessment of results through additional market analysis and sales data

**4) Organizing** Pulling all the actions and people together in a clear and practical way

Using this framework ensures that you consider relevant factors in implementing your marketing strategy. Targeting a market segment and identifying actions to capture that group are crucial steps, but good ideas that are poorly executed will not benefit your business and practice. The optimal benefit from a marketing strategy can only be attained by understanding how actions, programs, systems, and policies all must be addressed.

All marketing strategies should be evaluated on an ongoing basis, even once you attain positive results. The opportunity to improve always exists and the market is constantly changing. A brilliantly conceived and executed marketing plan will only maintain its effectiveness as long as the market remains the same. By paying close attention as

changes take place, rather than being victimized you can consider the market segments you are targeting, alter your strategy, and take advantage.

## References

1. The Economist. Who Killed the Newspaper? August 24th ed., 2006
2. Bennett PD, editor. Dictionary of Marketing Terms. 2nd ed. Chicago: American Marketing Association 1995
3. Kotler P. Marketing Management. 11th ed. Upper Saddle River, New Jersey: Prentice Hall; 2003: 9-1
4. Kotler P. Marketing Management. 11th ed. Upper Saddle River, New Jersey: Prentice Hall; 2003: 286-10
5. Kotler P. Marketing Management. 11th ed. Upper Saddle River, New Jersey: Prentice Hall; 2003: 6-1
6. Kotler P. Marketing Management. 11th ed. Upper Saddle River, New Jersey: Prentice Hall; 2003: 279-10
7. Kotler P. Marketing Management. 11th ed. Upper Saddle River, New Jersey: Prentice Hall; 2003: 288-10
8. Best, RJ. Market-Based Management. Upper Saddle River, New Jersey: Prentice Hall; 2000
9. Kotler P. Marketing Management. 11th ed. Upper Saddle River, NJ: Prentice Hall; 2003: 308-11
10. The McKinsey Quarterly. Delivering Value to Customers. 2000 Number 3
11. Kotler P. Marketing Management. 11th ed. Upper Saddle River, New Jersey: Prentice Hall; 2003: 315-11
12. Levitt T. Marketing Success Through Differentiation—of Anything. Harvard Business Review; 1980
13. Crego Jr. ET and Schiffrin PD. Customer Centered Reengineering. Homewood, Illinois: Irwin; 1995
14. Bonoma TV. Making Your Marketing Strategy Work. Harvard Business Review; March-April 1984

## CE Questions

**1. Many things have changed in marketing over the years. Fortunately some basic underlying questions have not. Which of the following is not an underlying basic question of marketing?**

- Who are the current and potential customers?
- What promotions are the most effective?
- Which customers should be focused on?
- How can customers be reached?

**2. The “market” can be described as:**

- The place (or places) where products are sold.
- The customers for a given product or service.
- Neither a nor b
- Both a and b

**3. The absolute rule for market analysis methodology is:**

- You get what you pay for.
- Ask a dumb question, expect a dumb answer.
- Informal analysis cannot be helpful.
- There is no absolute rule for market analysis methodology.

**4. Informal analysis is a helpful market analysis tool in isolation of other factors.**

- true
- false

**5. Which of the following is not an advantage of written surveys/questionnaires?**

- ability to focus questions on areas of interest
- can “target” delivery to a very specific geographic area
- absence of two-way communication, which offers less depth
- respondent experience is consistent
- respondent can remain anonymous

**6. Which of the following is not an advantage of focus groups, interviews?**

- In a group setting, people can be prompted to ideas they might not have come up with independently.
- Unanticipated (when conducted by the business operator).
- Can get in tune with the “language” of the people using pharmacy services.
- Can offer support and detail to survey data.
- Captures a moment in time, which makes informal information vulnerable to being affected by moods, recent experiences.

**7. Primary market analysis is a helpful way to get:**

- a community demographic profile
- pre-existing industry-specific data

- specific and detailed information about your market
- broad regional data

**8. Hiring an unbiased market research firm is the only way to build a truly helpful market analysis**

- true
- false

**9. Helpful resources for secondary analysis include:**

- census data ([www.statscan.ca](http://www.statscan.ca))
- municipality (City Hall, Website)
- local Better Business Bureau
- local Chamber of Commerce
- all of the above

**10. You decide that you see an opportunity for growth by serving young adults, and then you find that the recent census indicates that this population group is shrinking in Canada and your community. You abandon the plan to directly pursue that market. This is an example of:**

- informal primary analysis
- formal primary analysis
- broad secondary analysis
- competitive analysis

**11. Which of the following is a characteristic of broad secondary analysis?**

- It is generally unbiased.
- It is readily available.
- It is generally low-cost.
- All of the above.

**12. Which of the following is not a key element of a competitive analysis?**

- focusing analysis on one major competitor
- consideration of the *benefits* of your competitors’ strengths
- classification of the competition
- identification of the competition

**13. Market segmentation is:**

- The process of identifying a group of businesses who share a similar clientele.
- The process of identifying a group of businesses who share a similar product mix.
- The process of identifying the variety of needs of an individual customer.
- The process of identifying a group of customers who share a similar set of wants.

**14. Market segmentation positions a pharmacy business to:**

- Allocate resources in a focused way, according to the customers that you are targeting.
- Emulate its successful competitors.

- Analyze the pharmaceutical industry.
- Reduce promotional costs.

**15. Market segmentation could be viewed as limiting because some market segments can only be captured at the expense of other market segments, but it is still an important tool because:**

- Trying to position a pharmacy to serve all segments effectively stops it from serving any segment well.
- Some segments are not worth pursuit to some businesses.
- It is still possible to serve more than one market segment effectively.
- All of the above.

**16. A value proposition is:**

- The *price* that is placed on the value of a product.
- The overall *value* that is placed on a product.
- The package of *benefits* offered to entice a customer.
- The *cost* of reaching a customer.

**17. Which of the following P’s is the most important?**

- price
- promotion
- product
- place
- no one P is necessarily more important than the other; they are all different dimensions that affect one another.

**18. Which of the following is TRUE?**

- Lowering prices may not increase sales volume.
- Increasing prices may not reduce sales volume.
- Improving service may not improve sales volume.
- Promotions can be targeted (in appearance and distribution) to appeal to a specific market segment.
- All of the above.

**19. A customer value hierarchy is built with which of the following elements?**

- Basic – This would be the most fundamental elements that must be in place.
- Unanticipated – A benefit that is noticeable and enjoyable, and not expected by the customer.
- Desired – These are benefits that are noticeable and enjoyed when present, but are not surprising.
- Expected – These are benefits that are enhancements from basic.
- All of the above.

**20. The impact of a marketing strategy is \_\_\_\_\_ effective implementation**

- sometimes helped by
- dependent on
- unaffected by
- none of the above

## FACULTY

Market Analysis in Preparation for Expanded Services in Pharmacy Practice

### About the author

Mike Jaczko is a pharmacist and president of IntroPharm & Associates Ltd., a management consulting firm specializing in providing pharmacy and healthcare business-related solutions to stakeholders in the Canadian pharmacy retail channel. Peter Adams is a pharmacist and pharmacy owner with an MBA and many years of pharmacy operations experience, first with a franchise operation and now as a private entrepreneur. Andrew Lockie is an executive with an MBA and experience in research and writing.

### Reviewers

All lessons are reviewed by pharmacists for accuracy, currency and relevance to current pharmacy practice.

### CE Coordinator

Sheila McGovern

### Missed something?

Previous Novopharm CE lessons are available at [www.pharmacygateway.ca](http://www.pharmacygateway.ca) and [www.novopharm.com](http://www.novopharm.com).

For information about CE marking, please contact Mayra Ramos at (416) 764-3879, fax (416) 764-3937 or [mayra.ramos@rci.rogers.com](mailto:mayra.ramos@rci.rogers.com). All other inquiries about Novopharm CE Lessons should be directed to Karen Welds at (416) 764-3922 or [karen.welds@pharmacygroup.rogers.com](mailto:karen.welds@pharmacygroup.rogers.com).

This CE lesson is published by Rogers Publishing Ltd., One Mount Pleasant Rd., Toronto, ON M4Y 2Y5. Tel.: (416) 764-3916 Fax: (416) 764-3931. No part of this CE lesson may be reproduced, in whole or in part, without the written permission of the publisher. © 2007





**Market Analysis in Preparation for Expanded Services in Pharmacy Practice**

**2 CEU • 1 UNIT IN QUEBEC**

CCCEP #591-0607 • SEPTEMBER 2007

Not valid for CE credits after July 25, 2010

- |              |              |             |               |
|--------------|--------------|-------------|---------------|
| 1. a b c d   | 6. a b c d e | 11. a b c d | 16. a b c d   |
| 2. a b c d   | 7. a b c d   | 12. a b c d | 17. a b c d e |
| 3. a b c d   | 8. a b       | 13. a b c d | 18. a b c d e |
| 4. a b       | 9. a b c d e | 14. a b c d | 19. a b c d e |
| 5. a b c d e | 10. a b c d  | 15. a b c d | 20. a b c d   |

Last Name \_\_\_\_\_ First Name \_\_\_\_\_

Primary Licensing Prov. \_\_\_\_\_ Licence # \_\_\_\_\_ Secondary Licensing Prov. \_\_\_\_\_ Licence # \_\_\_\_\_

Home Address \_\_\_\_\_ City \_\_\_\_\_ Province \_\_\_\_\_

Postal Code \_\_\_\_\_ Telephone \_\_\_\_\_ Year graduated \_\_\_\_\_

Email \_\_\_\_\_

**TYPE OF PRACTICE**

- Drug chain or franchise     Independent     Grocery store pharmacy     Other (specify): \_\_\_\_\_  
 Banner     Mass merchandiser     Hospital pharmacy

**Please help ensure this program continues to be useful to you, by answering these questions.**

- As a result of taking this lesson, do you feel better able to manage change in your pharmacy?  Yes  No
- Was the information in this lesson relevant to your practice?  Yes  No
- Will you be able to incorporate the information from this lesson into your practice?  Yes  No  N/A
- How satisfied are you with our program?  Very  Somewhat  Not at all

**Getting your CE credits has never been easier!**

Over 80 CCCEP-approved CE lessons online.  
Instant results/accreditation in the CE Online section.

**www.pharmacygateway.ca**  
Your online home. Your CE home.

Online answering available in the "CE Online" section of the site

**ANSWERING OPTIONS:**

- Answer **ONLINE** for immediate results at [www.pharmacygateway.ca](http://www.pharmacygateway.ca)
- MAIL** or **FAX** this reply card to Mayra Ramos at 416-764-3937  
(Please allow 6-8 weeks for notification of score)

