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RETAIL STRATEGIES FOR PHARMACIES: THE BUSINESS OPPORTUNITY AND OPERATIONAL CHALLENGES

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Executive Summary

While the future course of U.S. healthcare policy remains in doubt, one thing is certain: reducing the cost of services, expanding access to care and improving patient outcomes will be top priorities for the entire industry. Pharmacies are playing an expanded role in this environment. Trusted sources of information and expertise and easily accessible, pharmacies are ideally positioned to cost-effectively assist patients with counseling, diagnosis, referrals and treatment. They can, for example, manage costs by reducing emergency room visits, identify undiagnosed conditions and improve patient outcomes by increasing compliance with medication regimens. Through closer collaboration with providers, payers and drug manufacturers, retail pharmacies can have an even greater impact on healthcare services, benefitting all parties in the process. From a retail business perspective, meanwhile, pharmacies can leverage an expanded role in healthcare delivery to grow sales by identifying customer needs and delivering relevant products and offers. To take advantage of these opportunities, pharmacies must develop business and operational strategies to optimize the customer experience, drive digital transformation and enhance capabilities around data sharing, analytics and intelligent automation.

Pharmacies and Improved Patient Outcomes

How can pharmacies create a better patient experience? By virtue of their role in the healthcare value chain, pharmacies and pharmacists are ideally positioned to diagnose conditions, provide consultations and referrals and help patients comply with courses of treatment and manage long-term conditions.

A typical pharmacy is conveniently located and can accommodate patients on a walk-in basis at no cost – a huge benefit compared to scheduling doctors' visits weeks in advance, sitting in waiting rooms and bearing responsibility for co-pays. Moreover, pharmacists are highly trained certified medical professionals, and are among the most trusted groups in healthcare, particularly among consumers who frequently use pharmacy services.

These attributes suggest that pharmacies can be key to increasing access to care and compliance rates for major health risks. For example, about a third of adult diabetes sufferers are undiagnosed, and only half of diabetes patients take their medications as prescribed. Expanding the involvement of pharmacies in both diagnosis and treatment could have a dramatic impact in addressing these and other critical needs.

Shared Incentives and Obstacles

Other players in the healthcare delivery system share an incentive for increased collaboration with pharmacies and pharmacists. As a result, the idea of a broader role for pharmacies in healthcare delivery is gaining traction. Insurers can benefit because pharmacists can reduce routine and unnecessary doctor visits and facilitate intervention and diagnosis, thereby lowering short- and long-term claims costs. Hospitals face financial penalties for high rates of readmissions; pharmacies have been shown to effectivley reduce readmissions by monitoring post-discharge care and improving compliance with medication and therapy regimens. And by diagnosing new patients and overseeing treatment and drug regimens, pharmacies can help pharmaceutical firms gain customers and improve the results of their products.

Obstacles to deeper integration of pharmacists into healthcare delivery include regulatory limits on the types of care pharmacists can provide, physician concerns about pharmacies as competitors for patients and embedded physician/pharmaceutical relationships. That said, evidence suggests that these obstacles are no match for the growing momentum favoring a more expansive role for pharmacies.

How Can Pharmacies Take Advantage of Retail Opportunities?

An expanded role for pharmacies in healthcare delivery can have a transformational impact by reducing costs, expanding access to care and improving outcomes. Industry players are clearly recognizing the opportunity, as witnessed most dramatically by CVS's recent purchase of Aetna. The retail healthcare model is also drawing the interest of Target, which has partnered with Kaiser Permanente to open a number of clinics in Southern California offering basic primary care services.

From a business perspective, a broader role in healthcare means pharmacies can deliver a wider range of services to higher volumes of customers, provide ongoing care management and gain previously undiagnosed new customers.

Beyond healthcare-related services specifically, pharmacies have an opportunity to expand their retail presence. At a basic level, it's a numbers game – more people visiting a pharmacy for medications, consultations or diagnoses means more potential buyers of other products and a chance to leverage the physical space of the retail establishment.

Delivering a Unique Experience

Perhaps more importantly, pharmacies can – like their counterparts in other retail sectors such as apparel, electronics and housewares – deploy digital and automation technologies to create a unique customer experience. By enabling seamless and secure data sharing, coupled with data analytics for customer insight, these technologies can allow pharmacies to deliver product offers and promotions tailored to individual needs and preferences.

Consider these potential scenarios:

- Bill comes to a pharmacy for a flu shot. While administering the vaccination, pharmacy staff note that Bill is six months overdue for an annual physical, and is three months late in renewing his prescription for blood pressure medication. As a trusted medical resource, the pharmacist encourages Bill to follow up with his provider.

- Mary is training for a marathon and the mileage tracked by her fit bit -- which is tied to her pharmacy app – is off the charts. She receives a text with tips on avoiding knee injury, a link to an article on marathon training plans and a pharmacy coupon for a discounted box of energy gel packets.

- John is picking up his cholesterol medication at his pharmacy, and receives a text describing the benefits of oatmeal and reminding him that fish oil supplements are on sale in aisle 8.

Operational Challenges

For CIOs and IT and operational teams tasked with supporting pharmacy business strategies around both healthcare and retail, the opportunities are accompanied by some inherent and daunting challenges. From both the healthcare and retail perspective, a fundamental underlying issue is the stubborn persistence of discrete and disconnected islands of data, disparate systems and incompatible platforms that can't seamlessly share information.

Within healthcare, providers struggle to aggregate and share patient care data across the service delivery chain comprising primary care doctors, specialists and hospitals. Then, of course, there's the issue of providers sharing data with payers, as well as with pharmaceutical firms and, increasingly, pharmacies. A specific challenge here is point of care analytics – improving providers' ability to easily access a patient's complete medical history when care is delivered is considered critical to achieving better outcomes and ensuring adherence to medical regimens.

All parties in the healthcare continuum also face the formidable task of modernizing and standardizing entrenched legacy systems, fragmented processes and incompatible platforms. Further complicating matters – the conflicting imperatives of open integration between multiple entities on the one hand, and rigorous privacy and security requirements on the other.

The retail side is similarly characterized by disparate silos of data and lack of integration, in this instance between inventory, customer and Point of Sale (POS) systems. In a fiercely competitive climate, retailers must define the right mix of online, smart store and traditional brick-and-mortar commerce, and then align their operational strategies to that mix. Gleaning nuggets of insight from mountains of customer data is becoming increasingly imperative. Leveraging those insights to steer customers to exactly what they want, precisely when they want it, requires perfect timing and walking a fine line between proactive outreach and intrusiveness.

Pharmacies, meanwhile, must become more closely integrated into the healthcare delivery value chain, as well as enhance their data analytics and customer experience capabilities in retail. As such, they face the *additional* challenge of developing a model of cross-industry integration between healthcare and retail.

Digital Strategies

To address these myriad challenges, pharmacies – and retail businesses offering pharmacy services – are pursuing multi-faceted digital strategies aimed at delivering data integration and analytics, platform standardization, process optimization and a positive consumer experience. The digital strategy must address both underlying operations and infrastructure to integrate or replace legacy systems, as well as enhance capabilities around front-end, customer-facing applications. Put differently, simply optimizing the efficiency of back office IT operations is not enough – nor is investing in whiz-bang innovations without an underlying foundation that supports the full range of capabilities.

Given the breadth and depth of challenges involved, prioritization is key. For example, what comes first? Digitizing the customer experience? Or the workflow of healthcare delivery? Both are essential. And since the customer experience and the back office are ultimately interrelated, stalling on either front is not an option. In an environment where progress on multiple tracks is imperative, and where myriad options are available, a Minimal Viable Product (MVP) methodology can help organizations achieve gains, as well as fail fast to discard sub-optimal solutions.

Automation and cognitive technologies have a central role to play, both in enhancing operational efficiency and in enabling data analytics and customer insight. Robotic Process Automation (RPA) can drive significant cost savings and productivity improvements, and ease the transition away from legacy environments with minimal disruption. By applying pattern recognition and machine learning capabilities, cognitive applications can help retailers develop customer profiles by connecting the dots between seemingly random data sets, as well as continually analyze campaigns and promotions around a variety of variables.

The Retail Opportunity

Retail strategies for pharmacies must address competitive pressure on a number of fronts, perhaps most ominously from Amazon. As momentum builds for pharmacies to take on a broader role in healthcare delivery, industry players are responding aggressively to seize the opportunity.

While the market is focused on how pharmacies can impact healthcare service delivery, neglecting the retail side of the equation would be a mistake. As an increasingly integral element in the healthcare continuum, pharmacies have a unique opportunity to not only improve health outcomes, but to enhance the shopping experience and carve out a niche in the hyper-competitive retail space. Whatever path they pursue, pharmacies require a solid foundation to support business and IT operations and enable seamless customer engagement.

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