

Pharmacies Target Determination Approach (PTDA)

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Introduction:

Determining the target sales in any business is a must to set the direction of the business as well as to assess the performance of the employees in specific section. However, assigning specific sales target is very difficult task because it's associated with a lot of variables and the interaction of those variables will yield the actual sales. Furthermore, setting higher or lower sales target will affect the valuation of pharmacist's performance in the pharmacy as well as their financial incentives. Hence, extra care has to be used to determine the logical sales target.

Methodology:

All factors that could change the actual sales should be determined and quantified. The sum of those factors will represent the sales target value. Factors involved are:

Normal growth:

Each country population is growing in certain percentage which will affect the demand on the goods. Saudi Arabia is one of the fastest growing countries in this aspect. This percentage could be used as a standard growth in expected sales.

Economic status:

There are various economic indicators that could be used to estimate the economic status of the country like the GDP, average salary, inflation, or unemployment rate. The unemployment rate or average salary might the best indicators for the purchasing power of the population; however, due to the unreliability of the data published in this regard, we can't use those two factors. Instead we can use the actual published government budget and determine the trend of the economic status. This factor could be positive or negative according to the data published.

Current merchandize style:

Product arrangement affects the purchasing from the customers. Currently our pharmacies merchandizing is not optimized. This might be looked as an opportunity to improve the sales through proper merchandizing. To translate this general idea into quantitative value, we can broadly categorize our pharmacies into: below average, average, above average, and ideal. Average is reflecting the current average merchandizing style in our pharmacies. Change from one level, theoretically suppose to be only from lower to upper category, will affect the sales. Empirically we can assign 1% increase in sales for each change from one category to another.

Average merchandizing style supposes to change from one period to another due to the expected improvement in the style step by step.

Current product variability and availability status:

At this point of time, we don't have strong IT system. The issue of variability and availability depends largely on pharmacist's effort to secure those products. Although this is not the required scenario, we might live with this situation for another year. Products availability and variability improvement will affect the sales positively. As our pharmacies differ in term of the stock allowance, average sales, and common products sold in the location, we can't have standard number of products for all of our pharmacies. We can broadly classify the pharmacies into: below average, average, above average, and ideal to the particular location. Empirically we can assign 1% increase in the target per each change from one level to another.

Trend of pharmacy sales:

Each pharmacy followed specific pattern in term of trend of sales achieved from the first day of operation. The trend might indicate various issues like change in population, change in purchasing power, and change in customer behavior. Those different factors already included under different subheadings. Trend is only indicating the history of achievement and due to the recent frequent changes in the company, the value of trend in estimating the future sales will be minimized. We can use the trend only to assess the effect of other factors.

Emerging of new competitor:

New pharmacies in the same area might negatively affect the sales of that particular pharmacy. The competitor might be internal in case of opening new within the group pharmacy in the same geographical area and it could be external competitor if other pharmacy opened in the same area. The issue of new competitor can't be categorized in few categories due to the various factors involved like distance from the pharmacy, quality of the new pharmacy, and type of customers visiting the pharmacy. We should have tailored approach in this aspect which means we assign specific percentage after studying each case alone.

Establishment of new healthcare facility:

New healthcare facility will attract more customers to visit the pharmacy. Numerous factors might affect the expected sales like number of patients visiting the new healthcare facility, and the power of the healthcare facility to retain their customers for themselves. We should have tailored approach in this aspect which means we assign specific percentage after studying each case alone.

Pharmacist's performance:

Pharmacists have role in certain percentage of the pharmacy sales. Theoretically, higher performance will be associated with better retention of the customers, and hence a better sales. Performance is defined as per the pharmacist's periodical evaluation. Empirically we can assign each 10% improvement or change in performance due to the pharmacist change to 1% increase in sales target.

Pharmacists training:

Pharmacists training should be reflected in day to day operation and dealing with our customers. The effect of change is gradual which will require time to notice the changes. We can assume that each 10 training sessions will be associated with 1% increase in sales.

Number of pharmacists in the location:

Currently most of our pharmacists are working extra hours to cover the duty of the pharmacy due to the shortage in number of pharmacists registered in our payroll. Working extra hours negatively affects the pharmacist performance especially in dealing with customers. Empirically we can assign each 2 hours reduction in overtime with 1% increase in sales achievement.

Effect of new contract(s) signed:

In periodical basis, we are getting new insurance contract with various companies. Those contracts will affect the credit sales of the pharmacy as well as will have certain percentage increase in cash sales. The effect of new contract has to be weighted and pharmacies sales target should be adjusted accordingly.

New service offered by the pharmacy:

Our direction is to move to the concept of specialized care centers in the pharmacies as well as developing new customer services like home delivery or procurement of hard to find products. The effect of each new service has to be weighted and the sales target should be adjusted accordingly.

Discount card dispensing:

As we are planning to issue free shopping cards and if we agreed that it has to be dispensed only in certain locations, then the estimated value of those cards should be adjusted for those pharmacies in addition to the expected sales generated from those customers visiting the pharmacy.

Size of the pharmacy:

Size of the pharmacy could be used to add new service, better merchandizing, more products availability, and associated with better patient or customer counseling. Larger sizes pharmacies are expected to grow in better manner compared to the smaller pharmacies. The improvement could be made only to the unutilized area in the pharmacy. If the pharmacy is with large size and the space is not optimally utilized, we can assign 1% increase in sales target achievement if the pharmacy size is better utilized.

Others:

This category is kept to account for any unanticipated factor that could change the sales of the pharmacy.

Example of pharmacy number x.

Factor	Percentage	Direction
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Normal growth (assume that we agreed its 3%)	3	Positive
Economic status (assume that the governmental budget shows 2% improvement)	2	Positive
Size of the pharmacy (assume the size is not optimally utilized)	1	Positive
Current merchandize style (assume the pharmacy is above average, so we don't anticipate change in near future)	0	Equal
Current product availability and variability status (assume that average product status, and we have intention to improve this pharmacy to above average)	1	Positive
Pharmacists performance (Assume pharmacist with score of 80% changed with pharmacist with score of 90% or even the pharmacist improve himself by more than 10 degrees)	1	Positive
Number of pharmacists in the location (Assume we reduce the extra hours worked in pharmacy by average of 4 hours per day)	2	Positive
Effect of new contract(s) signed (Assume no new contract pertaining X particular pharmacy)	0	Equal
New service offered by pharmacy (assume diabetic care center is established, and we anticipate an effect of 2% improvement in sales due to this service)	2	Positive
Discount card dispensing (Assume no discount card dispensing in the pharmacy)	0	Equal
Number of training given to pharmacists in the location (Assume 10 training sessions achieved for the pharmacist)	1	Positive
Trend of sales in the pharmacy (trend will not be calculated in the sum)	10%	Equal
Emerging of new competitor in the area (Assume external competitor exist very near to our pharmacy and we anticipate drop of 4%)	4	Negative
Establishment of new healthcare facility in the area (Assume new healthcare facility exists and we anticipate 6% increase in sales)	6	Positive
Shutdown of healthcare center in the area (Assume no shutdown)	0	Equal
Others (Assume there is change in law in dispensing particular product like Viagra and this product constitute 2% of total sales of the pharmacy and we will anticipate 50% drop in sales of this product)	1	Negative
Total (17 in positive and 5 in negative)	12	Positive

So the pharmacy will have target 12% higher than the actual sales achievement for the same quarter in previous year.