1 CPD CREDIT

What are your growth drivers? Identify your opportunities for growth

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Learning objectives:

After completing this CPD activity, pharmacists should be able to:

- Describe growth opportunities within community pharmacies in terms of the four quadrants of Ansoff's matrix.
- List examples of product and service development in community pharmacy in terms of risk associated with particular growth strategies.

Pharmacist competencies addressed: 2.6, 3.1, 3.3.

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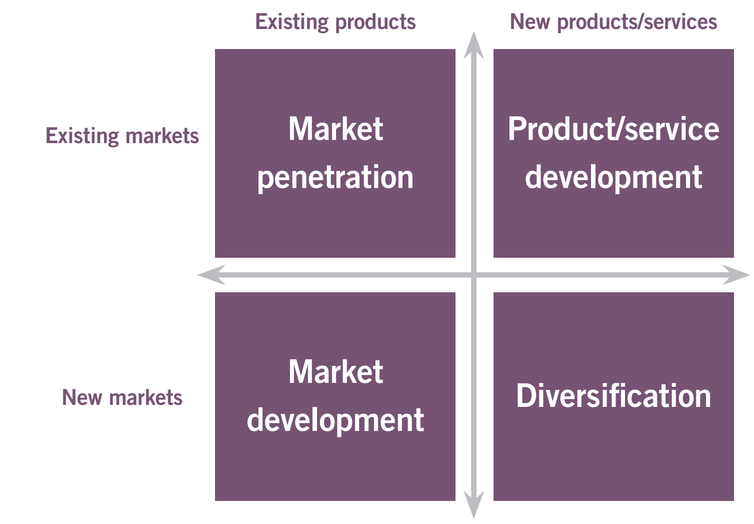
There are four key strategies that you can consider when it comes to growing your business. Igor Ansoff encapsulated these neatly in his work Corporate Strategy[1]. *Although published in 1965, this simple matrix has stood the test of time and remains relevant to businesses today.*

What are the growth opportunities for retail pharmacies and how can you make the most of them? In this article we'll look at Ansoff's four strategies for growth and how you can apply these in your pharmacy business.

Figure 1: Ansoff's growth matrix.



> If you are blind to changes in the environment, such as new products and services being developed by competitors, you may miss your customers' changing needs and lose market penetration.

Market penetration

This is probably the strategy that most people are familiar with. It involves selling more of the same products to the same customer groups. Essentially, this strategy seeks revenue growth by increasing the number of customers and/or increasing the dollars each customer spends.

Market penetration strategies in pharmacy

- Increase purchase volume per customer through price discounting.
- Increase purchase volume per customer through volume discounting on bulk purchases.
- Introduce existing customers to additional products/services through targeted marketing.
- Introduce existing customers to additional products/services through upselling at point of sale.
- Attract additional customers to your store who currently shop with your competitors (eg, other pharmacies, supermarkets, health food stores).
- Attract existing customers to buy additional products/services in your pharmacy that they would usually purchase elsewhere (eg, a customer who usually comes to your pharmacy for prescriptions but buys nappies at the supermarket).

Increasing market penetration is generally considered to be the least risky of Ansoff's four growth approaches. However, the risk is relative. It is considered to be lower risk because you are dealing with known factors: that is, your products and your markets. However, there is no such thing as a zero risk strategy. If you are blind to changes in the environment, such as new products and services being developed by competitors, you may miss your customers' changing needs and lose market penetration. You need to remember that a decision to do nothing also needs to be a strategic one.

Businesses such as airlines tend to focus on this strategy. They are keen to increase what is known as 'market share'. Each company seeks to have a greater share of the market than their competitors with a view that this will improve their profitability. However, this strategy really only works well when both the products/services and the customers are largely fixed. If discounting is the only approach used, this can create a race to the bottom in terms of pricing and can damage profitability in the market as a whole. This strategy doesn't consider the opportunity to expand into new markets, or to develop new products and services.

Market development

The Market Development strategy involves selling your products/services into new markets. This approach is higher risk than market penetration, as it may involve some investment in market expansion without any guarantee of success. Mediating that risk is the fact that this strategy uses existing products and services, so there are no associated product or service development costs.

Market development strategies in pharmacy

- Opening a new store in a different suburb, town or state.
- Extending your deliveries to a wider zone.
- Taking on new external supply contracts, such as an aged-care facility.