



Alphega offers independents tools they need to succeed

LONDON — Alliance Boots' Alphega Pharmacy network has a bold vision: to become the world's first global brand for independent pharmacy.

It is well on its way.

Founded in 2001 in France, Alphega already has more than 4,400 members in six European countries. (It expanded into Italy in 2003, Spain in 2006, the United Kingdom in 2007, and Russia and the Czech Republic in 2008. Including vivesco in Germany and Kring in the Netherlands, the independent pharmacy network has more than 6,000 members in eight countries.) The network's rapid growth is a testament to the value it offers, providing independent pharmacists with a way to continue running their own businesses while getting some of the advantages and support that chain stores enjoy.

What is equally important is the fact that Alphega is more than just a buying group, and it also does more than just offer marketing support and help with business management. What really makes Alphega

Pharmacy unique is its focus on professional services.

The idea is to help independent pharmacists as the industry transitions from a focus on dispensing drugs to one in which pharmacists are frontline health care providers who are much more involved in offering value-added services.

"Alphega Pharmacy is the right platform to develop new services and opportunities for the independent pharmacist," says Ornella Barra, chief executive officer of the pharmaceutical wholesale division of Alliance Boots.

The idea is that Alphega pharmacists can serve as "approachable health experts" for their customers, offering a range of health-related services that can include everything from weight management and smoking cessation programs to prescreening for diabetes or hypertension.

Britain's National Health Service pays pharmacists for some services, including conducting Medicine Use Reviews, which involve talking with patients

about their drug regimens with an eye toward improving compliance and avoiding drug interactions. To make it easier for its members to offer such services, Alphega in the U.K. has developed a program called "Services in a Box," which is literally a cardboard box containing everything a pharmacist and his or her team needs to deliver a particular service.



Alphega Pharmacy is positioning itself as the 'right platform to develop new services and opportunities for the independent pharmacist.'

For example, the box for the weight management program includes scales and a tape measure for recording hip-to-waist ratios, as well as DVDs and training manuals, patient follow-up cards, information leaflets, and store signs.

Separate kits are available for the different services that the pharmacists can offer, and the Alphega business consultant can suggest the programs that make sense in a particular mar-

ket. Different regional health care authorities fund different services — in one region pharmacists may get paid to run weight loss campaigns, while in other areas they may not.

"That doesn't mean the pharmacist shouldn't be offering those other services, but there's not the same financial incentive to do it," says Alphega Pharmacy Europe managing director

Caitlin Sorrell. "What we often find is that, whether they're remunerated or not, once pharmacists get in the habit of doing services and recognize that their customers really value them, they're a lot more open to doing additional services. So we always start them with the ones that are funded, and then try to extend them from there."

In fact, Alphega pharmacies in other European countries offer similar services, even though

their governments do not yet pay for them. Barra says pharmacists will be better able to negotiate with governments for remuneration once they can demonstrate that they deliver value and can help lower overall health care costs.

But the key to the future of the pharmacy business will lie in selling outcomes, not products, Barra believes. And Alphega is committed to helping independent pharmacists exceed the health care expectations of their most demanding patients and consumers.

Alphega Pharmacy's slogan is "Your health is our priority," and the network aims to differentiate itself from its competition by ensuring that its pharmacists do a better job of listening to patients and focusing on their needs.

"We want to make their pharmacies easier to run, so that they spend less time on administration, less time on buying, less time worrying about the business side of things and more time with the patient," Sorrell says.

Barra is driving force behind network

PARIS — Ornella Barra, whose many responsibilities at Alliance Boots include overseeing the Alphega Pharmacy network, is first and foremost a pharmacist.

Barra graduated from the University of Genoa with a degree in pharmacy in 1979 and went to work as a pharmacist, first managing and then setting up her own pharmacy.

Her entrepreneurial energy soon took her out from behind the pharmacy counter. In 1984 she founded the pharmaceutical wholesaler Di Pharma. That company sold to Alleanza Salute Italia in 1986, and Barra was appointed managing director and later chairman of that firm. She subsequently was involved in the creation of the international pharmaceutical company Alliance Santé, and when that company merged with UniChem to form Alliance UniChem PLC, Barra became a board member and executive director of that firm, which then merged with Boots Group PLC in 2006 to become Alliance Boots.

That company continues to evolve; last year it announced a strategic partnership with Walgreen Co., and also acquired a 12% stake in Nanjing Pharmaceutical Co., strengthening the position of Alliance Boots' pharmaceutical wholesale division in China.

She characterizes Alphega as 'one of her babies.'

In March 2013 Alliance Boots and Walgreens together announced their innovative long-term partnership with AmerisourceBergen Corp., one of North America's largest pharmaceutical services companies.

This relationship will enable the three companies to benefit from greater scale and global opportunities and work together on programs to improve service levels and efficiencies.

As chief executive of the pharmaceutical wholesale division,

meanwhile, Barra has three main areas of responsibility. She oversees Boots International, the drug chain's operations outside the United Kingdom and the Republic of Ireland. The group has Boots-branded stores in Europe (Norway, Sweden, and the Netherlands), Southeast Asia (Thailand) and the Middle East. It also has links with pharmacy chains in North America.

Barra is also chairman of Alliance Boots' social responsibilities committee, where she heads the group's charitable initiatives, including its partnership with Macmillan Cancer Support in the U.K. and its more recent pan-European partnership with the European Organization for Research and Treatment of Cancer Charitable Trust.

Most significantly for the purposes of this article, Barra heads Alliance Boots' pharmaceutical wholesale division, called Alliance Healthcare, which distributes drugs in the U.K., France, Germany, Turkey, Spain, the Netherlands, the Czech Republic, Russia, Nor-

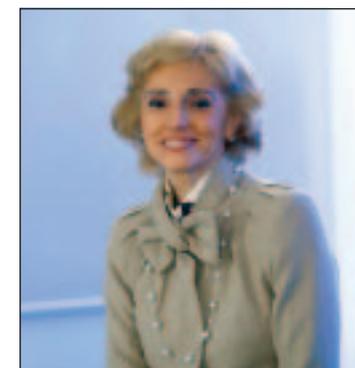
way, Romania and Egypt. (It also operates in Italy, Portugal, Switzerland, Lithuania, Algeria and China through its various associates and joint ventures.)

Every day, Alliance Healthcare supplies medicines to more than 170,000 pharmacies, doctors, health centers and hospitals from over 370 distribution centers.

Alliance Healthcare also supports the Alphega Pharmacy network of independent pharmacists across Europe.

Barra says she remains a pharmacist at heart, and describes Alphega Pharmacy as "one of her babies." And Alphega has proven its value both in countries like the U.K., where it provides support that can help independent pharmacists remain competitive with large chains, and in countries like France, where the law does not allow for the existence of pharmacy chains.

Despite their differences, both types of markets are facing similar challenges, as those paying for health care are looking for ways to cut their costs while



Ornella Barra

improving patient outcomes. Barra's view is that pharmacists in Europe, like their counterparts in the U.S., will need to evolve, becoming dispensers of health care services and advice as well as dispensers of medications.

"Independent pharmacists are very individualistic, and can sometimes be very conservative," Barra says. "Our job is to support them a bit, and help them open their minds to the way the business is changing. It's not always an easy job."

The work may be hard, but Alphega Pharmacy's growth suggests that Barra's ideas are gaining traction.

A holistic view of the customer

LONDON — Pharmacies in the different markets where Alphega Pharmacy operates face very different sets of rules and regulations. But the pharmacy network wants to be as much the same as it can be from market to market.

“We’re striving to get as consistent a concept as we can, in terms of what Alphega Pharmacy stands for and what we want the customer experience to be,” says Caitlin Sorrell, managing director of Alphega Pharmacy Europe. “Also, in terms of giving absolute support to the independent pharmacy and being able to prove that because they’re an Alphega member, they make more money than if they weren’t an Alphega member. That has to be absolutely consistent from one market to another, although the exact way we do it will then vary from market to market.”

The support Alphega Pharmacy offers its independent pharmacist members is extensive.

In France, for example, when a pharmacist joins the network one of the first things that happens is that a consultant will visit the pharmacy and take photos of it, inside and out, as well as detailed measurements. Similar photos will be taken of competing pharmacies.

Meanwhile, the Alphega representative will talk to the pharmacist and his or her team, and will capture the sales data from the pharmacy.

“We’ll then come back with a detailed analysis of the population around their pharmacy, showing the demographics of their catchment area,” Sorrell says. “We’ll show them pictures with things highlighted that show what’s working and what needs improvement, and we’ll do the same with their competitors. And that’s a really powerful tool because someone working in a pharmacy day in and day out very often has likely lost the ability to look at it in an objective and detached

way. Sometimes just seeing a picture helps them see things they could do to improve.”

The photographs and the demographic data are only part of what that initial report, which takes the form of a 30- to 40-page book that also includes information about the health care professionals in the catchment area around the pharmacy, and information about the percentage of sales to space. The report also includes a list of recommendations that the point-of-sale consultant will then discuss with the pharmacist, setting time frames for recommended changes.

“That’s a really strong start,” Sorrell says. “Because generally when the pharmacist implements our recommendations, they see an immediate benefit. That allows the point-of-sale consultants to very rapidly

demonstrate their credibility, which then gives them license to then have some more difficult conversations.”

Demonstrating the value of the model in this way, and building credibility and trust, are critical because the pharmacist remains the ultimate decision maker when it comes to the running of his or her business. Alphega is not a chain or a franchise operation, but a network of independent pharmacists.

“We are here to support independent pharmacists,” Sorrell says. “We want to support them in running their businesses better to make more money, and support them in developing the role of the profession. They are still in charge of their business.

“And that’s why the selection of who joins is really important. If someone hasn’t bought in to our vision of where we’re try-



Alphega aims to deliver a consistent customer experience.

ing to bring pharmacy, they shouldn’t join us. But if they share our vision of where pharmacy should go, then we can help them get there.”

That vision involves more than dispensing medicine or offering advice.

“What we want to be is a pharmacy where we take a

more holistic approach to the customer, where we listen better and make sure we take the time for the advice and consultation,” Sorrell says. “So for us, making sure our pharmacists offer peripheral services is really important because it’s living true to the kind of pharmacy we aspire to be.”

Everything revolves around patient needs

LONDON — One tangible asset that community pharmacies have in the changing health care environment is their accessibility and their ability to forge real relationships with their patients and customers.

Alphega wants to help its members build on those relationships, notes Alphega Pharmacy Europe managing director Caitlin Sorrell, who says she gets a warm feeling when she goes into a French pharmacy, say, and sees the pharmacist greeting customers by name.

“It’s about helping the patient realize that we’re not just there to hand over the prescription,” Sorrell says. “We’re there to talk to them about their medication. So it starts with making sure the patient has understood what the medication is and why they’re taking it, and finding out what else they are taking. And very often too it’s about listening to the patient’s concerns.”

The pharmacist-patient rela-

tionship can be an important tool in making sure people are taking their medications as directed, which of course is critical for positive outcomes.

Sorrell points out that pharmacists are perceived in Europe as being more approachable than doctors. And that approachability is an important asset, because when doctors prescribe medications, their patients tend not to challenge their authority by asking questions — they just take the prescription slip and walk out. But by the time the patients get to the pharmacy, they may have second thoughts.

“One of the first issues with people not taking their medication properly is that they don’t entirely believe they need it, or don’t understand why they need it or how they should take it,” Sorrell says. “And that’s where the pharmacist should step in, taking the time and giving them the opportunity to ask questions. It’s not even so much

about what the pharmacist tells them; it’s about how the pharmacist listens to them, making sure he or she is picking up on any concerns.”

The pharmacist is also the logical person for patients to see if they are having side effects or other problems with their medications, Sorrell notes, because even more than doctors they understand drug interactions and potential side effects.

Another issue when it comes to patient adherence to their medication regimens is simple forgetfulness. To address that, Alphega is working on developing text message reminder services, for example. Such services could be valuable tools in helping patients stick to their medication therapies, but Sorrell doesn’t see them, on their own, as offering the kind of real differentiation that Alphega Pharmacy is striving for.

“That’s the kind of thing that any pharmacy can do,” she



Caitlin Sorrell

points out. “What I want to make sure we own is the quality of the initial interaction and the follow-up interactions. That’s what we’re trying to be famous for.

“If there’s one thing I want us to do better than any other pharmacy, it’s taking the time to listen to our patients and really focus on their needs. We want to have the most patient-centric pharmacies.”

Regulatory environment in Europe slows brand-building efforts

LONDON — Alphega Pharmacy is a comparatively young brand, having been established in France in 2001, but it is already well known by pharmacists in Europe. As the network continues to grow, the goal is for the brand to become known and trusted by consumers as well.

But that will likely take some time, in part because of the professional and legal restrictions governing what pharmacists can and cannot do in various European markets.

In France, for example, a pharmacy (or pharmacy network) cannot use television, newspaper or magazine advertise-

ments to promote itself as being better than its rival.

In fact, the laws are so strict that Alphega Pharmacy, which recently added a consumer-facing portal to its website in France, cannot show only its own pharmacies in the store locator function of its own site. Instead, it is required to list other pharmacies as well. The most Alphega is permitted to do with its own website in France is to have its own pharmacies show up first when customers search for outlets that are near their home or office.

In the United Kingdom the regulations are more lenient than that, but the network is

also a more recent arrival on the scene and, as a result, there are not yet enough pharmacies to make a proper advertising campaign feasible.

Work is under way to raise awareness of consumers.

Even someone who regularly visits an Alphega pharmacy may or may not be aware of that fact — the pharmacist’s name occupies about two-thirds of the store’s fascia, while the

Alphega name only occupies about one-third of the space.

“That’s a conscious decision, because after all it is their pharmacy,” Alphega Pharmacy Europe managing director Caitlin Sorrell says.

But Alphega is taking steps to make consumers more aware of its brand. For example, when patients go into an Alphega pharmacy and participate in a weight loss program or a heart health program, the supporting materials they are given — including leaflets and informational brochures — all feature the Alphega Pharmacy brand.

In many markets Alphega also distributes a magazine, full of

health care tips and other information, to Alphega customers. That represents another way to promote the Alphega brand, and much of that information is being made available on the Alphega website as well.

In Spain, where there is a tradition of regularly bringing one’s baby to the pharmacy to be weighed, Alphega Pharmacy introduced a branded baby diary that customers could use to keep a record of their pregnancy and the early life of their infant.

“For now that’s enough,” Sorrell says. “That’s one way we can communicate with consumers about who we are.”

Advisors serve as ‘better conscience’ for members

PARIS — Among the linchpins of the Alphega Pharmacy network are the consultants or business advisors who visit each store and help pharmacists improve the performance of their businesses.

Alphega Pharmacy Europe managing director Caitlin Sorrell says that in a recent meeting the pharmacist-owners in the Alphega Pharmacy network in France described their consultants with such terms as “my better conscience” and “my shoulder.” One described the consultant as “the person who comes into my pharmacy and tells me things I don’t want to hear, but that I know I’ll have to do because they’re right for my patients.”

Sabine Nouchy is such a consultant, responsible for 35 pharmacies on the west side of Paris. She visits the pharmacies she is responsible for every month or so, going over sales figures, working with the phar-

macy team, and recommending product promotions and other merchandising moves.

Most visits last about three hours and are conducted in either the morning or the afternoon; Nouchy says that with established units she tries to spend about one hour with the pharmacist/owner, discussing sales figures and the owner’s goals or expectations, and two hours with the pharmacy staff, discussing everything from merchandising initiatives to the training opportunities available to them.

Nouchy is a pharmacist herself, and now as an Alphega Pharmacy consultant, she advises the network’s pharmacies on everything from the promotional themes the group is recommending each month to the ways the independent pharmacists can boost their sales and offer more services to their customers. She is also able to share best practices among the phar-



Advisor Sabine Nouchy with Alphega France’s Herve Thoraval.

macies in her charge.

Through Nouchy and others like her, Alphega Pharmacy suggests seasonal promotions that pharmacists should run each month. The independents can decline to participate, but Alphega’s advisors can typically cite sales figures to support their recommendations.

“There’s a tool to analyze the figures, which is very useful for the advisor as well,” Nouchy says. “We can see how many customers the pharmacy is serving a day, for example, and whether that number is increasing or decreasing, and how it compares with other pharmacies in Paris. We can

do the same with total sales, and sales of prescription drugs or cosmetics. That gives us a very useful perspective that we can share with the pharmacist when discussing what needs to be improved.”

Pharmacists and business advisors alike can access such information from Alphega Pharmacy’s website. Pharmacists also can access training resources and educational and marketing materials, and the site also has Alphega Pharmacy’s promotional calendar for the year.

The website also provides pharmacists with information about the leading products in various categories, including over-the-counter drugs and cosmetics, and shows how their sales of those items (and other products) compares to sales at other pharmacies in the same region. Color-coded charts show how the prices compare as well.

Efficiency, professionalism are basis of Alphega’s appeal

PARIS — One of Herve Thoraval’s missions as president of Alphega Pharmacy France is to raise the network’s profile in his country, which is also the place Alphega got its start back in 2001.

Doing so can be a challenge. The pharmacy business is strictly regulated in France, and pharmacists are not allowed to advertise their services. That restriction applies to buying groups and networks as well, which means that it is very difficult for Alphega to communicate with potential customers.

(Other regulations ensure that pharmacies in France are all independently owned — no chains allowed — and restrict the numbers of pharmacies that can open in most markets to one per 2,500 people, a rule that does not appear to apply in Paris.)

Thoraval says Alphega Pharmacy is well known and has a good reputation within the pharmacy industry, however. And when it comes to establishing a similar reputation with consumers, the group’s aim is to impress the customers it has with the efficiency and professionalism of its pharmacies, and to offer additional health care services. To ensure that its member pharmacists (and their teams) are always friendly and professional, Alphega Pharmacy employs mystery shoppers who visit its stores and rate their experiences.

Thoraval also serves as a representative of the pharmacy industry, and Alphega, in negotiations with health authorities. And he is a pharmacist himself, with a store in Paris.

Pharmacists in France are by

nature independent and individualistic, he says, which can sometimes make it hard to convince them to use Alphega’s tools or follow its recommendations. “But their

‘Attitudes are evolving in the right direction.’

attitudes are evolving in the right direction,” Thoraval says. “And Alphega Pharmacy’s still young, only 12 years old.”

Also, there is no question that the pharmacy business is changing, as it is elsewhere, driven by the impact of new technologies and payers’ desire to cut costs. The French Coun-

cil of Ministers adopted regulations earlier this year that allow the online sale of medications for the first time, for example.

That change is not expected to have much impact, however, because it only allows licensed pharmacists to sell medications via the Internet, and even they can only sell over-the-counter remedies — not prescription drugs — online.

The economic pressures on the pharmacy profession will likely have a more significant impact, and Thoraval predicts that in the near future there will only be two kinds of pharmacies in France — commercial ones that emphasize low prices, and those like Alphega that focus on health care services for the patient.

Thoraval notes that he spoke to a Swiss pharmacist at the re-

cent European Pharmacy Forum seminar in Paris, and that pharmacist contended that even in countries where the laws are in place and the authorities offer the right financial support for pharmacists to offer health care services, many are reluctant to do so. But Thoraval believes it is important for French pharmacists — and particularly Alphega pharmacists — to step up and offer such services.

For one thing, those pharmacists who don’t add the new programs and new services won’t be asked to weigh in on new services (or paid to offer them) in the future. And also, they risk losing customers who will take their business to other pharmacies where such services are offered.

Some of the initiatives that pharmacists in France will be focusing on in the months ahead involve patient adherence to their drug regimens, and pharmacovigilance.

Alphega Pharmacy has started an adherence program for anticoagulants and also plans to add a program for asthma that tracks adherence. Patients that do not stick to their drug regimens represent lost sales for drug companies and retail pharmacies, and are also less likely to benefit from treatment.

Pharmacovigilance, which is related to the collection, monitoring and avoidance of drug side effects, is a particular concern in France, which recorded some deaths a few years back related to drug side effects.

Meanwhile, Thoraval is upbeat about the future of community pharmacy — and the Alphega Pharmacy network — in France.

‘It helps with many aspects of our operation’

PARIS — Pharmacists Sylvie Le Hong and Naima Atmani Houssenally are partners and co-owners of Pharmacie des Bas Longchamps, which is part of the Alphega Pharmacy network.

Hong started the pharmacy in 1990 and joined Alphega Pharmacy in 2004, and says she has not regretted that decision.

“Thanks to Alphega Pharmacy’s support, including training sessions and meetings with specialists, we were able to expand the pharmacy,” Hong explains, noting that she took on a former employee as a partner in 2009, which is also when the outlet was expanded and its layout changed.

“Alphega Pharmacy helped

me develop new work methods that have made me more efficient, freeing me to spend more time with patients,” Hong says. “Alphega Pharmacy also handles the commercial negotiations, so that I can purchase products in just-in-time conditions, and at lower cost.”

“Alphega Pharmacy doesn’t deliver the keys to paradise — we still have to work hard, and work together. But it does help with many aspects of our operation and frees us to be more professional in our work.”

Pharmacie des Bas Longchamps has a consulting area, and the pharmacists provide a number of health care services, including consulting with pa-

tients on cardiovascular health.

“We are in the beginning phase in France when it comes to consulting with patients in this way,” Houssenally says. “Alphega Pharmacy helps us do that, and I like it — I think it will help with the development of our profession, and of our professional reputations. People tend to see us as business men or women, rather than as health care professionals, and this is one of the ways in which we can change that perception.”

Houssenally also credits Alphega Pharmacy with providing valuable advice and training regarding how she and her partner can run their business more effectively, and how they

can work together as a team.

“They help us make the business better, and also help us serve our patients better,” Houssenally says.

Alphega Pharmacy’s training, mentoring and consulting services are supported by a comprehensive portfolio of user-friendly reference guides, and support is also available on the company’s internal website. Those resources are meant to help pharmacist-owners in the network, and their teams, deliver on the brand promise, “Your health is our priority.”

Alphega Pharmacy had its start in France in 2001, and now has more than 1,100 members in the country.

Alphega quickly achieves critical mass in the U.K.

LONDON — Alphega Pharmacy UK aims to become the independent pharmacy network of choice for consumers, manufacturers and independent pharmacy owners by 2015.

That is a bold ambition, especially given the fact that the Alphega network only launched in the United Kingdom in 2007. But since then it has racked up impressive growth figures, achieving a membership of almost 900 pharmacies, which is about 17% to 18% of the available market of independents.

The rapid growth of Alphega in the U.K. has come despite the fact that independents in the market have other options in terms of support, including national buying groups and an already established virtual chain.

To have an impact in the market, notes general manager Sue Moore, Alphega UK had to meet or beat the commercial deal the buying groups can offer, and also surpass the support provided by its virtual chain competitor, which mainly involved help with retailing, promotions and planograms.

On top of that foundation, Alphega UK has additional services that are unique. Chief among these is the Alphega Pharmacy Development Program, which starts with an initial assessment of a pharmacy and its performance based on clearly defined criteria. A business mentor then works with the pharmacist, identifying areas that need improvement, drawing up a business plan and then

helping them achieve it.

“Our members value the tailored advice and the personal support they get,” Moore says. “We’re very proud of that.”

Alphega Pharmacy UK also offers its members a program of professional “services in a box,” which literally provide the pharmacy with everything — from equipment to promotional leaflets — they need to provide services like smoking cessation or weight management support.

The ability to provide such services can be an important source of additional revenue in the U.K., where national and regional governments will pay pharmacists to perform them.

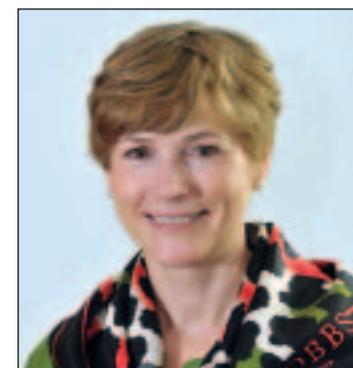
Alphega Pharmacy has launched a consumer website, and Moore says that in June the

company plans to give members a free tablet computer with an Alphega app that provides training and other help. The app will also give manufacturers the opportunity to showcase their products and promotions, and provide category knowledge training for pharmacists and their teams.

Moore notes that Alphega also can help manufacturers by offering them ease of access to about 900 independent pharmacists that act like a chain.

Instead of visiting each pharmacy individually to launch a new product, run a promotion or offer training, manufacturers can simply visit the Alphega Pharmacy UK head office.

Moore, who spent more than 35 years in health and beauty



Sue Moore

retailing (much of it at Boots) before moving to Alphega Pharmacy, says her aim now is to use that experience to help independent pharmacists in the U.K. achieve the same level of excellence as a large chain.

Pressure on pharmacy operators is mounting

LONDON — The pharmacy market in the United Kingdom is incredibly competitive, especially compared with most markets in Europe, where pharmacy chains cannot operate.

About 14,000 community pharmacies operate in the U.K., about half of them independents. And about 5,200 pharmacies are run by independent operators with one to five stores, which is the pool from which Alphega Pharmacy UK recruits its members.

The number of pharmacies has remained relatively stable in Scotland, Wales and Northern Ireland, but in England the number has been rising sharply, due to exempt category applications. Someone seeking to open a new pharmacy in the U.K. must generally show that the location would be “necessary and desirable,” but there are a number of exemptions to that rule, including one for pharma-

cies that are open 100 hours per week. Since 2005 about 1,166 exempt category pharmacies have opened in England, including 888 100-hour pharmacies.

The average community pharmacy in the U.K. dispenses 6,548 prescription items a month. Many also provide other services, the most common of which is the Medicines Use Review (MUR). A community pharmacy can earn 28 pounds (about \$42) per MUR, and be paid for up to 400 such consultations a month. The average pharmacy conducts 239 MURs per month.

The pharmacy market in the U.K. is under pressure, though, as a result of at least five forces that are driving change:

- Health care budget challenges, as demand for health services grows even as the government entities paying for those services face reduced funds.
- Increasing competition among pharmacy operators,



Independent pharmacists must evolve as the market shifts.

which include supermarkets and pharmacy chains, as well as independents.

• Growing margin pressures in the medication supply chain, involving drug manufacturers and wholesalers.

• Emerging alternatives to physical pharmacies, including

remote dispensing and online pharmacies.

• Increasing demand by pharmacy patients for convenience and expertise.

The result is likely to be lower profits for U.K. pharmacies in the future, a report by A.T. Kearney suggests.

The average pharmacy handling 6,000 prescriptions per month could generate about 340,000 pounds (\$513,444) in gross profit each year, with an average EBIT margin of 9%.

The changes being foreseen for the pharmacy business are expected to result in an average profit reduction of 38% for community pharmacies in the U.K. by 2016, the report found, with independent pharmacists among the hardest hit.

Such an environment will require community pharmacies to operate more efficiently, increasing their prescription volumes to offset the lower margins. Alphega Pharmacy sees its ability to help independents achieve some of the scale advantages of larger operators as one of the ways it can help in this environment. Another is by facilitating the evolution of their businesses into providers of health care services.

Pioneer understands benefits that come with Alphega affiliation

LONDON — Uma Patel is no stranger to the business of dispensing prescription medications and advising patients. Patel bought his first pharmacy, in Windsor, England (where he counted the Queen as one of his customers), in 1974.

Now he is the owner of Dunn’s Pharmacy in Cranford (located not far from Heathrow Airport in greater London), one of the first Alphega pharmacies in the United Kingdom.

“I was one of the pioneer sites,” Patel says. “And in fact, this store was the first total refit to the Alphega Pharmacy.”

Patel notes that one of the challenges of being an independent pharmacist is that he is essentially a one-man operation.

“I’m the pharmacist, but I’m also the lawyer, the accountant



Patel: “I was No. 1 five years ago; now there are almost 900.”

and the person who changes the light bulbs — everything,” he says. “If you’re a multiple, there’s a head office there to help you with these things. But

as an independent you’re on your own.”

Alphega Pharmacy promises to provide independent pharmacists with the type of head

office support normally enjoyed by chains, so that they can get the benefits of scale while retaining their independence. According to Alphega Pharmacy, this allows its members to build more sustainable and profitable businesses by reducing their purchasing and operating costs, while increasing their dispensary and retail revenue, allowing them to compete more effectively. That support includes training, mentoring and advice in a number of areas.

“As an independent, being part of Alphega Pharmacy, I have the freedom to buy what I want, when I want, and display products the way I like,” Patel says, adding that, at the same time, Alphega Pharmacy provides guidance, which is frequently based on sales data.

“So, where it suits us, we use their planograms and their designs, as well as their buying power and all their support systems,” Patel says. “Of all the buying groups and support groups, Alphega Pharmacy is the best. It’s not the cheapest, but it’s the best.”

“And while it’s difficult to say exactly what that means in terms of pounds and pence, you can’t measure everything in money terms. If the support of Alphega Pharmacy reduces my blood pressure and I live five years longer, how do I value that?”

Patel says the value Alphega Pharmacy provides to independents is evident from the network’s rapid growth. “I was No. 1 five years ago, and now there are almost 900,” he says.

Forum assesses the changing role of pharmacy

PARIS — Ornella Barra was instrumental in the creation of the European Pharmacists Forum (EPF) in 1999. Ten countries are now represented within the Forum: the United Kingdom, France, Italy, Spain, Portugal, the Czech Republic, the Netherlands, Turkey, Switzerland and Germany.

The main aims of the EPF are to facilitate the exchange of ideas between pharmacists, to promote a dialogue with public authorities and manufacturers, and to promote the idea of a “community pharmacy.”

The forum also helps to strengthen the association between Alliance Boots and pharmacists in Europe, as well as to promote the development of the group’s portfolio of services for European pharmacists.

The current EPF president is Andrew Lane, an English pharmacist and the owner of AlChem Healthcare, a group of local pharmacies based in England. He is also vice chair of the National Pharmacy Association and an Alphea Pharmacy member. Previous EPF presidents have come from different European countries, including the U.K., France, Italy and the Netherlands.

Barra, for her part, sees the role of pharmacy as changing in an increasingly globalized economy. Consumers have more power, she says, and that

means businesses have to be more profitable and offer better value for the money.

“These shifting patterns in the wider economy are having a knock-on effect on our world in the health care sector,” Barra noted. “And if we do not adapt our ways of working,



Barra: “Pharmacy has to remain at the heart of health care.”

these changes could be at our expense. Consequently, pharmacists must continue to break away from traditional ways of working and develop new services in close partnership with manufacturers. A further important threat to today’s pharmacy sector comes from large supermarkets and retail giants.

“Therefore, in order to survive, independent pharmacies need to contend with variations

within the economy and evolving competitor activities.”

Barra updated attendees at a recent EPF seminar on what has been happening at Alliance Boots. It is quite a story.

The company currently has a presence in more than 25 countries, she said, operating more

than 3,330 health and beauty retail stores, most of them with pharmacies. The group’s drug wholesaling operation operates more than 360 distribution centers, which deliver over 4.5 billion units of drug products each year to more than 170,000 pharmacies, doctors, health centers and hospitals.

Alliance Boots has posted 88% trading profit growth in the past five years. The company’s strat-

egy has involved internal organic growth, acquisitions and partnerships, and the pending combination with Walgreen Co. will make the resulting entity “the global leader in our sector — not just in terms of quantity, but in quality of service.”

The partnership with Walgreens has already meant an expanded market for Boots branded products, Barra added, noting that the No. 7 brand is being trialed after the opening of Walgreens’ 8,000th outlet, a flagship store in Hollywood. The aim would be to start the rollout of the brand later this year.

Meanwhile, Boots has introduced a new store format for its Boots Apotek chain in Norway. It adds cosmetics to the product mix, and features 650 additional Boots products.

Other recent and major developments at Alliance Boots include the rebranding of the German distribution business, ANZAG, to Alliance Healthcare Deutschland; and the relaunch of Alcura, the service brand for Alliance Boots innovative and specialized health care services.

Alliance Boots has added atorvastatin, which is one of the most prescribed statins in the U.K., to its Almus line of generic drugs; it is the first Almus product to be produced by Pfizer Inc.. In addition, Boots Pharmaceuticals has been introduced

in Italy in a pilot program.

Alliance Boots has also established Walgreens Boots Alliance Development GmbH, a joint venture with Walgreens in Bern, Switzerland, to explore and exploit synergies with Walgreens. It focuses on six areas: generics, goods not for resale, front-of-store growth, own brands and general merchandising, and branded products in pharmaceuticals and nonpharmaceuticals.

At the end of her presentation, Barra took questions. Asked how Alliance Boots’ partnership with Walgreens will benefit Alphea Pharmacy members, for example, Barra said one opportunity involves learning from Walgreens’ experience in providing health care services — something Alphea pharmacists also do — and then implementing new programs or practices of their own.

Barra was also asked whether she is optimistic about the future of pharmacy.

“Yes,” she said. “Pharmacy has to remain at the heart of health care. I’m very positive about pharmacy, although there will be some challenging times ahead. But it will be tough for everyone, and our sector will face fewer problems than many other health care sectors.”

“But we need to anticipate and adapt, and we therefore have to say a big yes to change.”

Walgreens’ move beyond traditional Rx outlined at EPF

PARIS — Delegates who attended the European Pharmacy Forum’s (EPF’s) first seminar of 2013 last month had a chance to learn about Walgreen Co. from Kermit Crawford, the company’s president of pharmacy, health and wellness.

“Walgreens’ dedication and commitment to transform community pharmacy and further expand the scope of services it provides complements our vision at Alliance Boots,” said Ornella Barra, chief executive officer of Alliance Boots’ pharmaceutical wholesale division. “We are delighted to have Kermit join us at this special EPF and to demonstrate firsthand the great opportunities independent pharmacists will be able to benefit from within an expanded international network.”

Crawford described the way Walgreens has grown and evolved in his 30 years there, noting that when he started with the company, it had 940 stores and total sales of about \$2.3 billion, and about 70% of those sales came from the front end (non-pharmacy) part of the store. Now Walgreens has about 8,000 stores and does about \$72 billion in top-line sales, and the front end only accounts for about 35% of that.

He explained that Walgreens now has about 8,400 points of care. Besides its drug stores, the company has two central-fill mail-order facilities, two specialty care centers focused on specialty medications and more than 75 infusion pharmacies designed for the delivery of infusion medications in the home. Walgreens also has more than 360 retail health clinics in its stores, and about 370 work site clinics, located on corporate campuses. It also has nearly 200 pharmacies located in hospitals and other health settings.

“So we’ve moved beyond traditional pharmacy at Walgreens,” Crawford said. “We’ve taken all of our assets and we’ve combined them into one of the most complete community networks of integrated health care services, and we call this the Walgreens Well Network. It gives us the ability to respond to the changing environment in health care.”

Looking at the global health care environment, Walgreens sees three major trends. First, the global market is growing. There are about 7 billion people on the planet today, and that number is projected to rise to about 8 billion by 2030, and 9 billion by 2050.

Second, the global population is aging, which translates into an increase in health care spending. Health care spending is projected to grow by about 5% in the United States and Europe by 2016, reaching about \$3.5 trillion in the U.S.



Crawford: “We’ve taken all our assets and combined them.”

and \$2.2 trillion in Europe.

The third trend is that both the U.S. and Europe have growing markets for generic drugs, Crawford said. Many areas of Europe have a lower generics utilization rate than in the U.S., and that provides an even greater opportunity for revenue and profitability.

The demographics in the United States do not look so different from the global scene, Crawford said. Americans are aging, with about 10,000 Americans turning 65 every day. By 2020 the country’s over-65 population is expected to increase by 36% to 55

million. And by 2030 more than 72 million people in the U.S. will be 65 and older.

That is good news for pharmacists. About 13% of the total spending by these older Americans goes to health care — about twice the amount for younger consumers. And about 17% of the health care spend-

ing by older Americans goes to medications. Crawford also touched on the subject of health care reform. He explained that there are 50 million Americans today who do not have health care insurance. Most of those consumers do not have appropriate access to a primary care physician, and many live in medically underserved areas. But more than half of Walgreens stores serve those communities, he added.

“Health care reform will give more than 30 million people access to health insurance,” Crawford said. “And what we’ve seen in the past is that when Americans get access to health insurance, the utilization of both physicians and pharmacies goes up.”

There is, of course, pressure in the U.S. to cut health care spending, but that too could lead to more money being spent in America’s pharmacies.

“The U.S. Congressional Budget Office has just confirmed that medication use in Medicare reduces the overall medical spend,” Crawford said. “This is big news because it is the first time we’ve actually had solid data showing that medication adherence actually helps reduce total medical costs.”