



# How category management improved customer service in the pharmacy

## ABSTRACT

The implementation of category management in three Medicon pharmacies allowed for a significant improvement in customer service and resulted in increased sales despite a declining market. Redesigning the way products were presented in the pharmacies helped to attract new customers and improve customer satisfaction and loyalty.



By **Verena Schielein**,  
MEDICON BRL GmbH

### Improving customer service in pharmacies

Customer service is vital for the retail pharmacy. The Medicon Pharmacy Group (Medicon) is committed to its motto: 'Gerne für Sie da' (Happy to serve you). This also means that customers need to quickly find what they are looking for in the pharmacy. Re-organising products in product groups – or categories – helps to improve orientation of customers in the pharmacy. The focus is then on what the patient or customer is looking for, with products that a buyer considers related displayed together. The objective is to better meet customer requirements, which in turn aims to improve customer loyalty and satisfaction, increasing sales in the process.

To achieve this, Medicon pharmacies began introducing the category management approach in three of its pharmacies in January 2010. The Klosterfrau Healthcare Group (Klosterfrau), a pharmaceutical supplier, and GS1 Germany supported the implementation, under the auspices of the Federal Ministry of Commerce and Technology as part of PROZEUS, a German eBusiness initiative providing clear information on eBusiness standards to help small and medium-sized companies acquire eBusiness competence.

Klosterfrau recommended the specific categories to implement based on a systematic analysis of market and scan data, as well as considering the specific characteristics and strategic



## Germany: How category management improved customer service in the pharmacy

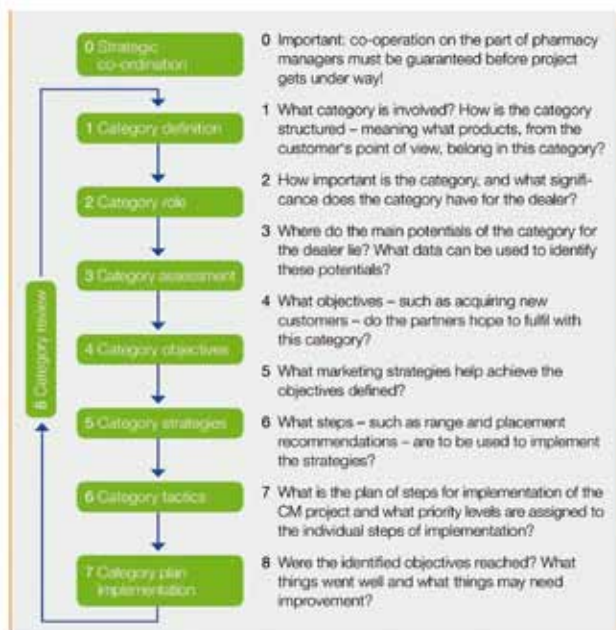
orientation of the Medicon pharmacies. A customer-focused approach to category management is a significant instrument to define the sales strategy. Harmonising the product portfolio with local needs is critical. By introducing category management into the business planning process, the customer-focused design of the product portfolio can be linked to the strategic positioning within the pharmacy. The result is increased customer satisfaction, also allowing for differentiation of the pharmacy in comparison to other pharmacies in the area.

The support of GS1 Germany enabled Medicon to leverage its expertise in business process optimisation in various industries and sectors. Specifically, GS1 Germany supported the implementation of GS1 Standards and enabled Electronic Data Interchange (EDI) between Medicon and Klosterfrau, which helps to streamline the exchange of information between suppliers and pharmacies. Data, such as the sales data report, can now be transmitted electronically between the supply chain partners using specified messaging standards (eCom message SLSRPT - Sales data report message - United Nations Directories for Electronic Data Interchange ), minimising human intervention and thus reducing errors and simplifying the flow of information.

### Category management in eight steps

The backbone of the project was a detailed analysis of the current situation in the pharmacies. It was important to take time for this despite a pharmacy's busy day-to-day operations. Taking a step back to evaluate ways of improving long-term customer satisfaction is important. Nevertheless, in less than six months, the pharmacies were redesigned to meet the requirements of category management. The category plan was defined and implemented in eight steps, from getting management buy-in, to category plan implementation and review, as defined by Efficient

#### The 8-step process for category management:



Medicon pharmacy: Over-the-counter products grouped by category

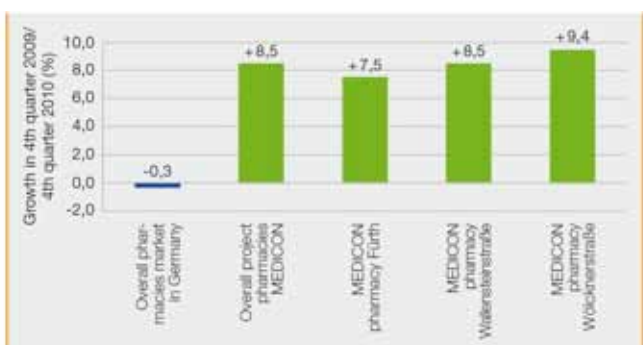
Consumer Response (ECR), a GS1 initiative to optimise the business processes between suppliers and retailers focusing on the consumer.

### Lessons learned

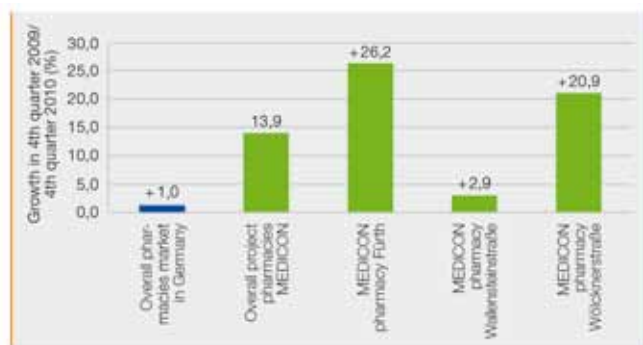
The first objective was to improve customer service in Medicon pharmacies. Customer feedback upon implementation was extremely positive. Where individual products were once grouped by supplier, they are now grouped into categories. For example, if customers are looking for something for their feet or legs, they will find all of related products from any supplier on the same shelf or in the same area. The customer will not only find what he or she needs much faster, but it also positions different products in the same category. For another example, a customer looking for compression stockings may also benefit from Medicon's offering of individually tailored compression stockings. Or they can find all natural healthcare products in one area.

#### Retailer and producer approach to defining a category role:

Step	Content	Responsibility
1	<b>Presentation of prior category roles</b> <ul style="list-style-type: none"> <li>What roles does the retailer work with?</li> <li>What role has the category in question played thus far?</li> <li>How was the role derived?</li> </ul>	Retailer
2	<b>Clarification of the approach to the category role during the process</b> <ul style="list-style-type: none"> <li>From the producer's or retailer's point of view, is there any reason to question the prior category role?</li> <li>If yes: implement steps 3 through 5</li> </ul>	Producer/ Retailer
3	<b>Developing an assessment model</b> <ul style="list-style-type: none"> <li>Decisions on which data can, and which data should, factor into the quantitative analysis</li> <li>Clarification of weighting of data</li> <li>Clarification of questions for the qualitative assessment</li> </ul>	Producer/ Retailer
4	<b>Performing the assessment</b> <ul style="list-style-type: none"> <li>Quantitative and qualitative execution of the assessment (with retailer's assistance)</li> <li>Evaluation of analyses and derivation of a recommendation</li> </ul>	Producer
5	<b>Determination of category role</b>	Retailer



Sales, over-the-counter placement: overall market trend downwards – project pharmacies experienced growth



Sales, display placement: overall market near 0% - project pharmacies experienced above-average growth

The efforts and investments have certainly paid off. Medicon pharmacies sales where category management was implemented increased 8.5% despite a declining market – German pharmacies’ sales decreased 0.3% in the fourth quarter

of 2010. Those Medicon pharmacies also attracted more customers, increasing by 12.6%. One pharmacy increased its number of customer loyalty card holders by 18.5%, and another by 71.9%.



The German law requires certain pharmaceutical products to be displayed behind the counter and can only provided by the pharmacist

Based on the results in these three pharmacies, Medicon decided to implement category management in their other ten pharmacies.

For more information about this case study, contact Bettina Bartz at: [bartz@gs1-germany.de](mailto:bartz@gs1-germany.de).

## ABOUT THE AUTHOR

**Verena Schielein** is Managing Director of MEDICON BRL GmbH, a service provider in the areas of marketing, purchasing, controlling, accounting, and IT for pharmacies. Prior to holding this position, she set up the marketing and controlling department at MEDICON Apotheke oHG, which she headed for several years.