



# Lessons from newspapers

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## CHANGES TO THE IDENTITY AND BUSINESS MODEL OF NEWSPAPERS OFFER LESSONS TO COMMUNITY PHARMACIES.

**J**ournalists from the Fairfax media group recently went on strike for 36 hours. Like most examples of industrial action, their concern was job security. The management of the Fairfax group is on a three-year cost-saving mission, including many staff changes, to slow their financial slide as the newspaper medium shrinks.

This slide in relevance is not just because people are moving to digital news formats on smart-phones, iPads and laptops. A much bigger problem is the collapse of the fundamental business model for newspapers—paid placement of advertisements to get messages to the masses.

Newspapers around the world are experiencing the consequences of a seismic shift in the ways humans communicate. Their four fundamental problems are:

- 1. Their primary financial customer base—the advertisers—are moving to digital communication and interaction.**
- 2. It is relatively easy (compared to the cost of printing newspapers) for an internet-based competitor to set up highly efficient modes of mass communication such as job search or real estate advertisements—there are thus many competitors;**
- 3. The public has many technology options to engage in digital communication (almost) anywhere at any time, even on a momentary whim.**
- 4. Society, particularly the young, do not just 'prefer' the digital means**

**of communication, they cannot survive without it! For them, newspapers already don't exist!**

There is nothing 'fad' about these observations. The 'dinosaur metaphor' definitely fits. No wonder newspaper companies around the world are racing to change their business models.

It shouldn't be surprising that Points 2–4 above are all relevant to community pharmacy in Australia:

- 1. Internet-based competition for pharmacy goods and services is increasing and will definitely grow as a threat to 'bricks and mortar' traditional stores.**
- 2. A very high proportion of citizens possess multiple means of**

### ...IT IS NOT JUST THE BUSINESS MODEL WHICH IS CHANGING, BUT THE VERY IDENTITY OF THE PROFESSION WHICH UNDERPINS IT.

- accessing everything online, anytime, and love doing it.**
- 3. The younger generations (pharmacy's emerging customers) may well prefer digital (virtual) communication over face-to-face as a means of sourcing both goods and information.**

So are community pharmacies showing signs of embracing the digital world as a means of communication and interaction? Some of my students have tackled this question to get a snap shot of how pharmacy now utilises the internet. Their report reveals some

very interesting trends, including that participation and innovation in this area belongs to a minority.

The researchers selected a sizable geographically defined sample of the 'greater Gold Coast' region in Queensland, and generated a list of the 126 'bricks and mortar' pharmacies from the region, representing a sample size of approximately 2.5% of pharmacies in Australia. They then sought to identify the proportion of these pharmacies that had any internet presence and, if so, what type of presence it was. But in doing this search, the researchers also found three 'virtual' pharmacies—those with a strong internet presence—but not located in the sample region.

To classify the type of internet presence, the researchers had to develop their own classification system, which is comprised of four functional categories:

- 1. Standard website (eg. name, address, contact details and some advertisement statement);**
- 2. Interactive website (eg. including an ability for the consumer to input information and get a response);**
- 3. Interactive website with online promotion (eg. including an online catalogue/promotion); and**
- 4. Online store (eg. including an online store where purchases/payments can be made).**

Beyond these categories, the research group also determined what proportion of the sample offered

communication via social networking, such as Facebook or Twitter.

The results showed that 57% of the sampled pharmacies have a website of some type. And of these, the most prevalent functional type was 'interactive website with online promotion', at 62%. No doubt about it, pharmacies are getting the idea that promoting online is the way to go.

But eight pharmacy internet sites (11% of total sample) were of the 'online store' type, including the three 'virtual pharmacies' available to consumers in the sample region. And it was this number that gave me more than a little of a surprise.

The thing about the internet as a means of retail commerce is that a little bit goes a long way! The fact that there are already three 'virtual pharmacies' operating as online stores in the sample region shows that the old rules on how to compete are already in the bin for pharmacy. To have eight pharmacy-online stores available in the sample region should grab the attention of all of the others. Perhaps those with any type of internet presence really are paying attention. But what about the 43% with no web presence at all?

These newspaper industry developments may well be sufficiently remote from pharmacy to not cause alarm. But the fundamental causes of the newspaper dilemma have strong messages for community pharmacy. Change is coming and new business models will lead this change. Regulation will not guard pharmacy this time. As with the newspapers, it is not just the business model that is changing, but the very identity of the profession which underpins it. ■