Greek Pharmacy Retailing in Transition: Some Preliminary Evidence

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Abstract: *This paper seeks to provide an initial account of the changes that happen in the Greek pharmacy sector since the proposed by the government deregulation of the sector. It further looks at the response of independent pharmacists to the changes that are in line to take place. Pharmacy retailing is defined by set of characteristics; scientific, vocational, and entrepreneurial; that makes it a very intriguing sector to research. The entrepreneurial shift of the pharmacists is identified as necessary and priorities for the transformation have been addressed. A qualitative research project was devised in order to collect data on the perceptions of the pharmacists on the deregulation of the sector and their response to the emerging landscape. The major finding of the project was the reported lack of entrepreneurial culture which stems from the absolute un-entrepreneurial business environment pharmacist developed and operated in the past and has a result the lack of confidence to make business decisions as they do not know how to analyse the environment and take advantage of the potential opportunities that emerge.*
Keywords: *Pharmacy retail, entrepreneurship, retail change, retail strategy*

1. INTRODUCTION

Pharmacy retailing in Greece will soon be deregulated by the state, among the massive structural changes that the Greek government will implement in order to satisfy the terms that are set by the foreign creditors in order to negotiate the bail-out of the Greek economy. The example of the last massive deregulation of the Greek retail sector in 1990, which involved among others the deregulation of the opening hours, and the removal of price restrictions led to an overnight change of the whole image of the traditional retail to a more westernised version of it (Bennison and Boutsouki, 1995). The character of the competition then changed and price became the focal point since retailers could adjust their prices to the supply and demand of the products. The pharmacy retailing sector accounts about 10,000 independent stores across the country (Symphony IRI Group, 2010). About 75% of the total transactions in medicines take place in the pharmacies, whilst 75% of the transactions that take place in pharmacies are prescribed and non-prescribed medicines and the remaining 25% are cosmetics, toiletries, and other paramedical products (Imerisia, 2010). An average pharmacy generates sales of about €40,000, but there are cases where a single pharmacy can generate sales of as much as €100,000 (Market Insight, ND).

Table 1: Pharmacies in Greece

	No of Pharmacies	Percentage
Attica	4,178	37.69%
Central Greece	1,470	13.26%
Northern Greece	1,443	13.02%
Thessaloniki	1,264	11.40%
Peloponnesus	824	7.43%
Crete	507	4.57%
Rest of Greece (approx)	1,400	12.63%
Total	11,086	100.00%

Source: Symphony IRI Group, 2010, p.24; Imerisia, 2010

Opening a new pharmacy is a long and complicated process which usually involves either the acquisition of the licence of an older pharmacist who will be retiring soon or waiting government to issue licences under the law 1963/91. Under that law Greece is divided in zones and the licences are given depending on the density of the population of each zone.

The changes that are proposed to happen in the pharmacy retail sector share a lot of common characteristics to those happened in 1990. Among the changes proposed one can finds the deregulation of the opening hours, and the easing of the geographical restrictions. Therefore the competition in the market will intensify and the pharmacists will be asked to develop market skills, like the entrepreneurship in order to keep up with the challenges that will emerge in the market. In order to become a pharmacist in Greece it is essential requirement to obtain the Higher Education pharmacy degree. Approximately 300 new students per year choose the Pharmacy programme of one of the three Greek Universities that offer it; however Pharmacist's training is also a popular choice for Greek students that opt to study abroad. The pharmacists training consists of approximately thirty different modules, however pharmacist only have an optional module on marketing and that is all the business training they get during their studies. Being a pharmacist is a reputable profession in Greece, and pharmacists are well respected and appreciated in the Greek society.

This research looks at how pharmacists prepare to adapt to the massive changes that will happen in the post-deregulation period. It is part of a cross-cultural research project that investigates the retail practices that independent pharmacists apply and searches for common patterns among the pharmacy professionals in different places around the world. The research aims to collect data that will offer insight on how pharmacists understand the challenge of transition, how they will deal with the change, and finally what are their concerns about the change. A conceptual framework will be developed and it will form the basis for further deductive research.

2. LITERATURE REVIEW

2.1. Pharmacists as entrepreneurs

There are numerous definitions of the entrepreneurial activity. Some focus on the process of managing recourses (Tice, 2005), some other focus on a human behaviour that aim to mobilise the market process (Davidsson, 2004). Interestingly, the definitions of entrepreneurship suggest that it involves all the determining factors of the strategic management (internal and external). Apparently, pharmacists are asked to act as trained managers which is a paradox, given that the Higher Education curriculum includes only one elective business related module. Therefore, the understanding of the resource based advantage, the adaptation on the changing environment, and the development and introduction of innovative products and services that can satisfy the needs of niche markets can happen only under the guidance of a trained consultant or they are driven by the intuition of the pharmacist. Another factor that should be taken into account is that the trained pharmacists tend to underrate the role of the retailer that they need to play in the competitive arena as they believe that their scientific background defines their occupation and the retail aspect is the *necessary evil* (Pioch and Schmidt, 2004). Szeinbach *et al.* (1995) suggested that market conditions challenge the one-sided professional identity of pharmacist and push them to behave, consciously or not, as an entrepreneur. They identified four qualities that the entrepreneurial pharmacist must possess that include: a. cost effectiveness, b. customer service, c. political structure, and d. business orientation. Given that pharmacist do not have the background knowledge to act like managers-entrepreneurs formalised methods of management are not expected to be used and this is a challenge for them, especially during the process of change that require innovative responses.

2.2. Dealing with change

Changing, particularly when this change involves a forced and unwanted event, is a major and stressful challenge for entrepreneurs. Kotter and Schlesinger (2008) suggested that change that is implemented through participation and involvement – which is the type of change an independent entrepreneur is going through – depends on time and commitment however they noted that time is an asset that costs, in that case the pharmacist invest their own time on the enhancement of the change, and a misunderstanding of the context may lead to a failure – which is likely given that pharmacists lack managerial training that will equip them with the knowledge to scan the business environment. Lancaster and Brierley (2000) highlighted the need for a holistic transformation during the change process. This change involves acquiring new knowledge, upgrading skills and roles, and also it requires changes on the values, behaviours, and attitudes.

2.3. Change in retail

Retail change theories are based on the concept that retail enterprises are the key motivators of it, when it is not motivated by socio-environmental factors. Chronologically presented the first theory that evolved is the environmental. Hollander (1966) suggests that socio-economic environments impose limitations on the development of retailing and retail institutions. Brown (1987) notes that changes in the economic, demographic, social, cultural, legal and technological conditions of the marketplace are reflected in the structure of the retail system. Environmental theory is very popular, especially among practitioners, is that it has similarities with auditing frameworks like PEST and SWOT (Roberto & Levesque, 2005). McGoldrick (2002, p.24) indicates that the main strength of environmental theory is its flexibility, focus upon the "uncontrollables" and its applicability in a variety of contexts. The change under scrutiny in this research is initiated by the government changes, namely the deregulation of the sector.

3. METHODOLOGY

The author of this paper interviewed 12 pharmacists from Thessaloniki (for the purposes of the report of the research they are anonymised and capital letter are used to identify them) in an attempt to understand how the massive changes that will soon take place will influence them. Other organisational researchers in similar fields employed a range of interviewees varying from four (Le and Nhu, 2009) to thirty (Beaver and Ross, 2000). Unfortunately no other research has been conducted in the Greek context that can be used for comparison. The qualitative paradigm is seen as the appropriate when exploratory research takes place (Ruyter and Scholl, *1998*) and it is particularly popular in the entrepreneurship research (Bygrave, 1989; Carson and Coviello, 1996) as it allows the researcher to empathise with the research objects and have a view of the bigger picture of the research context.

Thematic analysis was employed and themes were identified. The data analysis was manual as the data set was relatively small and a software package would have made data coding, input and analysis more time consuming (Bryman, 2010).

4. FINDINGS

4.1. The challenges of deregulation

Even though the interviewees where not asked to provide a definition of deregulation they provided a number of insightful suggestion on what is the content of deregulation. The dominant view was that deregulation refers to a new way of operating, with less restriction but a lot more threats. Interviewee E said for example:

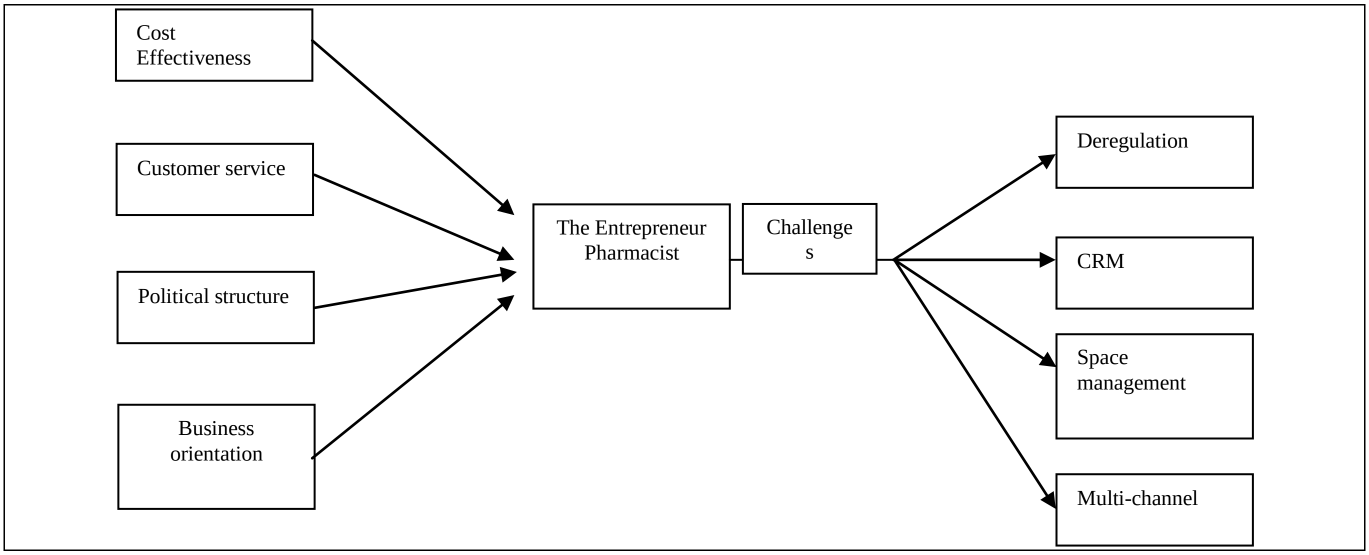
> *We will have to operate as the other retail shops. Licensing will ease, there will be no opening hours restrictions, and honestly I am waiting for the big foreign pharmacies to invade and take over! But for me there will still be space for the independents. We have the personal contact with the customers that make us hard to replace.*

Among the other challenges that pharmacists highlighted were the government cuts on health expenditure, which may exceed the €2B per year. This means that on average each pharmacy may lose sales of approximately €100,000 per year or under moderate estimations about €3,000 of net profits. Also, pharmacists suggested that competition will become fiercer. More licensed pharmacies, in addition to the potential introduction of the distribution of generic medicines from super markets increase the players in the market and the market share would need to be split to more companies. Another issue that was mentioned was the potential need – or opportunity – for mergers and acquisitions. Smaller pharmacists suggested that they think that merging with another pharmacy of similar size would be a reasonable way to keep the costs low and work longer hours. Bigger pharmacists on the other hand suggested that they may be attracted by smaller pharmacies located in remote or rural areas. The demand there is predictable, and a single provided is only based there. Finally, all of the respondents suggested that customers will become of outmost importance. Personalised service will become essential. The pharmacist will take the role of the "personal shopper" for the customer. He will provide advice on medicine, basic level treatment, information on cosmetics and toiletries, and also the pharmacy will work long hours and it will be the centre of social interaction for the neighbourhood.

4.2. The necessary changes

The deregulation itself poses a major change. However the pharmacists highlighted three areas that they believe changes will become absolutely essential. The first one will be the development of Customer Relationship Management programmes, and in specific methods that will enable them to keep customer satisfied and loyal. For example pharmacist K said that he may introduce a loyalty card, pharmacist A suggested that he may do home deliveries, while pharmacist C said that he may start an own label, handmade cosmetic range of products.

Figure 1: The pharmacists' entrepreneurial concerns



Retail considerations have also become apparent. Space management was also discussed by some pharmacists. It was raised as a concern from some pharmacists that own or lease big stores or it was described as a potential opportunity for pharmacist that own or lease small stores. The product mix becomes an important decision as the profit margins in medicines will remain the same – if not reduce – while for cosmetics and toiletries the margins will be uncapped and regulated by the supply and demand. In addition to the home delivery that was earlier mentioned some pharmacists suggested that internet sale will be researched and potentially exploited. Only one of the twelve pharmacists had a retail sale functional website during the period of the interviews, and she reported very positive experience:

> *About 10% of my sales are through the internet now but... this is vital for me as I only sell cosmetics where the profit margins are very high! Yes, I definitely feel happy...*
>
> (Pharmacist H)

5. DISCUSSION

The preliminary findings show that the entrepreneurial side of the pharmacy operation will become pivotal for the long-term success of the pharmacy. The pharmacists suggested that the deregulation of the sector is unplanned and they do not seem to understand how this will benefit the consumer. Past examples of deregulation show that it takes long time to understand the new landscape and the emerging competitive position in the sector. Evidence from similar change that happened in UK showed that even though pharmacists had a lot of time to prepare themselves to a new, government oriented, environment they lacked the necessary background and experience to deal with and adapt to the new environment (Schmidt and Pioch, 2004). Findings from research that took place in Austria also suggest that the independent pharmacists there struggled to position themselves in the competitive map (Foscht, 2006).

Another area of importance is the negotiation with the competitors. Pharmacists reported that they sense the threat of the competition but they do not have a clear strategy to defend against, or even more retaliate, them. Entrepreneurial strategy development is by definition problematic as it is based on limited information, lack of resources, and massive personal biases. In that case is must be added the lack of business training that makes understanding the environment and the competition an impossible task. Mitchellette (2008) stressed that entrepreneurs try to take full advantage of their competencies and fully exploit the available resources however they become myopic and focus on this internal to external process. Probably this explains why 90% of the small and small-medium companies fail within 3 years of their start up.

This research reveals a major threat for pharmacists; this is their inherent lack of business training. In an environment where small independent pharmacists will be called to compete against bigger multinational companies it is essential, or even fair, to expect them to be benefited by seminars or workshops that will be organised from the Government or their union particularly for them. Pharmacists need to learn the basics of organising a retail space, managing relationships with customers, understanding the supply chain, and foremost analysing competition and identifying compatible to their resources niches for their products.

6. LIMITATIONS AND FUTURE RESEARCH

As stated earlier in this paper this is the first output of a bigger project that aims to understand how independent pharmacists across the world understand their retailer role and how they operate under the advantages and disadvantages of their size and capabilities.

The data that was collected for this part of the project comes from Thessaloniki only, so this research will be further benefited from more data that will come from urban, suburban, and rural areas. Obviously, this limited geographic representation reduces the credibility and replicability of the research, however the purpose of this part of the research is exploratory and aims to pilot research techniques and test concepts.

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