

## Strategy and Performance

# Assessment 1

### Case Study

## A growth strategy for United by Health (UbH)

### Background information

You are a newly qualified Chartered Accountant working in the management consulting division of a medium-sized accounting firm. You and your manager, Jessica Chan, have just attended a meeting with Gregory Blanchett, the owner of a large healthcare hub, United by Health (UbH), located in the growing suburb of Baldivis on the southwestern outskirts of Perth, Western Australia. Baldivis is 46km (45 minutes' travel by car) from the Perth city centre and UbH is located approximately 2km from the Baldivis town centre.

Gregory was born in Canada and represented Canada at three Olympic games, earning two gold medals and a bronze medal. As he was competing at a high level since he was 12 years old and was so dedicated to international competitions, he did not have the academic background generally required for a corporate career for when he stopped competing. When he was 33, he stopped competing and returned to furthering his studies, graduating with a bachelor's degree in physiotherapy. Gregory has three children, Cristina, Aidan and Joel, and he has hopes that they will be involved in some way with UbH.

When Gregory immigrated to Australia in 2008, he worked in several physiotherapy practices before opening his own practice in 2012. Eventually, Gregory wanted to expand beyond his single physiotherapy practice to opening a successful chain of pharmacies, as his father had done in Canada.

### UbH's beginnings

From 2012 to 2017, Gregory established a loyal base of customers and rented four suites in a building in Baldivis. Gregory hired six physiotherapists to work directly for him at the suites, which is now known as the UbH healthcare hub. Gregory was attracted to this building as Baldivis was a suburb where sport was a popular pastime for residents and their children.

In addition, Baldivis was one of the fastest growing suburbs in Perth. The 2022 Australian Bureau of Statistics (ABS) population report shows that the population of Greater Perth has increased by 20% in the 10 years from 2011 to 2021, with Baldivis showing the largest growth, adding 14,800 people in the period. The size of Baldivis means that it is a town hub where people come from surrounding regions to access health care and equipment for their rural properties.

(Source: Australian Bureau of Statistics 2022, *Regional population statistics*, viewed 1 March 2023, <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>)

Over the years, Gregory developed a good relationship with Thompson Bales, the owner of the building housing the UbH healthcare hub. When Thompson mentioned he wanted to sell the building, Gregory saw an opportunity to also become the owner and property manager of a commercial property. In 2017, Gregory purchased the building from Thompson Bales for \$25 million. At this time Gregory discontinued the physiotherapy practice so that he could concentrate on the management of the whole building. Two of the physiotherapists took up tenancy and the remaining four went to work in the public health system.



Gregory took out a significant mortgage with Northpac Bank to purchase the building and entered into a contract with Thompson. Under the contract, Thompson would retain a 25% share in the building and Gregory would pay him a fixed sum of \$100,000 rent per annum until 2028 when Gregory would purchase Thompson's 25% share at market value. The acquisition of Thompson's 25% share will be funded through an additional mortgage. Thompson is not actively involved in the day-to-day operations of the UbH healthcare hub.

## Managing the UbH healthcare hub building

Gregory owns the UbH healthcare hub building, except for the 25% share retained by Thompson Bales. Gregory leases out the first, second and third floors suites of the building to healthcare service providers. He owns and runs the retail stores on the ground floor of the building. The building's current mortgage value is 30% of the premises' 2021 valuation amount.

As Gregory is the building's commercial property manager, he no longer works as a physiotherapist. Gregory manages the UbH healthcare hub himself and has many responsibilities, including the following:

- Overall building and facilities management: This includes, but is not limited to, maintenance, security, electricity, building insurance and facilities (ie playground and childcare services).
- General administration: Gregory does not use the services of a real estate agent and makes agreements with all tenants himself.
- Costing and inventory: Gregory is responsible for all the costs and inventory management of the retail stores on the premises. A commission is paid to the hub's podiatrists and optometrist who refer their patients to make a purchase in the optometrist retail store or the podiatry retail stores.

## UbH's services

UbH provides general health services, including:

- General practitioner (GP) medical services
- Physiotherapy services
- Optometry services, including a retail store that sells its own brand of eyeglasses
- Pharmacy services
- Podiatry services, including a retail store that sells its own brand of orthotic footwear
- Chiropractic services
- Dietetic services
- Holistic health services – these services were introduced in 2017 in recognition of the changing demographic in the Baldivis area caused by the establishment of many new, affordable houses, which attracted a demographic of younger people seeking an alternative approach to medicine.

UbH also provides free childcare services to customers attending appointments. UbH is the only healthcare provider of its kind to provide free onsite childcare services to its customers.

The service directory at the front of the building illustrates the location of the practitioners within the building:



## United by Health Services Directory

Location	Service	Name	Shop No/ Suite No
Ground floor	Concierge		Suite GF00
	Childcare services	Building Blocks Childcare Centre	Shop GF01
	Food court	Suzy's Sandwiches	Shop GF02
	Food court	Wrap Me Up Sushi Roll	Shop GF03
	Food court	Solo Salads	Shop GF04
	Pharmacy	United Pharmacy	Shop GF05
	Shoe store	United Soles	Shop GF06
	Eyeglasses store	United Eyewear	Shop GF07
	Herbal supplements store	United Supplements	Shop GF08
First floor	Psychologist	Dr Julie Sharp	Suite 101
	General practitioner	Dr Yumiko Aoki	Suite 102
	General practitioner	Dr Gavin Qwan	Suite 103
	General practitioner	Dr Ken Burger	Suite 104
	General practitioner	VACANT	Suite 105
	General practitioner	Dr Fazhiel Jahn	Suite 106
	General practitioner	Dr Nicholas Lee	Suite 107
	General practitioner	Dr Jacqueline Suhad	Suite 108
	General practitioner	VACANT	Suite 109
	General practitioner	VACANT	Suite 110
Second floor	Podiatrist	Jenny Chan	Suite 201
	Podiatrist	Grant Shaw	Suite 202
	Podiatrist	VACANT	Suite 203
	Optometrist	Kim Johnson	Suite 204
	Optometrist	Jace Khan	Suite 205



Location	Service	Name	Shop No/ Suite No
	Physiotherapist	VACANT	Suite 206
	Physiotherapist	Mohammed Amar	Suite 207
	Chiropractor	Felix Garcia	Suite 208
	Dietician	Lucy Lansdowne	Suite 209
	Dietician	VACANT	Suite 210
Third floor	Holistic health services – kinesiology	Kinesiology King	Suite 301
	Holistic health services – natural healing	Health For You	Suite 302
	Holistic health services – massage	VACANT	Suite 303
	Holistic health services – whole body health service	VACANT	Suite 304
	Holistic health services – herbal medicine practice	Herbal Queens	Suite 305
	Holistic health services –naturopath	The Whole Being	Suite 306

**Note:** Individual rental contracts are made with each suite tenant.

The following table summarises, by floor, the per annum rent received:

Floor	Rent per annum \$000 <sup>1</sup>	Revenue per annum – retail sales \$000
Ground	N/A	6,500 <sup>3</sup>
1	2,600	N/A
2	2,236	N/A
3	2,028 <sup>2</sup>	N/A

#### Notes

- Does not include vacant suites.
- Suites on the third floor are larger in size than suites on the first and second floors.
- Pharmacy revenue accounts for 65% of the building's retail space revenue. The pharmacy has an average gross margin of 66% on products, compared to an average of 45% for the other retail stores.

Based on a comprehensive review of all the services that UbH provides, Gregory has noted that the pharmacy outperforms all of the other services, from a net profit point of view.



## Customers

As Baldivis is a semi-rural suburb that has a large proportion of residents employed as tradespeople, the typical customers to the UbH healthcare hub:

- include singles, families, couples of all ages and older people (from 2019, an increasing number of older people moved to the area to be closer to services and shopping centres).
- have a median family income of \$145,000 per annum.
- have a high participation rate in sports programs.

## Suburb spotlight

Baldivis is a semi-rural residential suburb located in the City of Rockingham, on the southwestern outskirts of Perth. There are many housing estates in the area.

Baldivis has a lot of community facilities available for its residents, including multiple soccer, rugby union, cricket, football, netball, softball, and athletics facilities. The main shopping facility is in the Baldivis town centre, and its upgrade in 2015 made it very popular with many out-of-suburb customers as a destination to purchase supplies.

Key demographics	2011	2016
Total population	15,883	31,665
Population change (5 years)	+166.90%	+99.40%
Median household income (per week)	\$2,895	\$2,800
Household income change (5 years)	+29.29%	-2.16%
Median age of persons	29	29

## Growing the UbH healthcare hub

Following his purchase of the UbH building, Gregory has grown his business from a single physiotherapy practice to a 'one-stop shop United by Health healthcare hub' that employs over 100 people. Gregory's vision for UbH is for it to be 'the one-stop healthcare hub in Western Australia that takes a united approach to the care of patients and their families'.

## The commercial property industry after COVID-19

As the government eased its COVID-19 pandemic restrictions, Gregory started seeing instability in the commercial property sector and wanted to know whether he should expand his business; so, he decided to do some research. Gregory researched the impact of the COVID-19 pandemic and rising interest rates on the growth and profitability of the commercial property industry.



In his research, Gregory encountered a recent report by *IBISWorld* that identifies the key trends in the commercial property industry, which include the following:

- An emphasis on wage costs has placed downward pressure on profit margins over the past five years.
- Larger industry firms can achieve significant growth through acquiring smaller firms.
- An increase in the number of people working from home has limited industry performance over the period.
- The recovery of activity in downstream markets is forecast to boost industry profitability.
- Increases to interest rates are forecast to limit industry performance over the period.
- Firms are forecast to benefit from increasing numbers of businesses in Australia.
- The easing of conditions related to COVID-19 has benefited industry demand in the current year.

Source: Gannon, D, 2022, Commercial Property Management in Australia, IBISWorld, October, report, p 7, viewed 12 November 2022, <https://my.ibisworld.com/download/au/en/industry-specialized/5433/1/0/pdf>

He found the following statement from the report particularly interesting:

‘Overall, industry revenue is expected to decline at an annualised 6.9% over the five years through 2022–23, to \$1.5 billion’.

Gregory also received feedback from prospective general practitioner tenants that many of them were able to work from home as there had been an increase in the use of telehealth services. When he looked for information, he was surprised to learn the following:

Between 13 March 2020 and 16 March 2022, over 100 million telehealth services were delivered to around 17 million Australians across the country. More than \$5 billion in Medicare benefits has been paid, and more than 92,000 medical practitioners have now used telehealth services to support their patients.

Source: Department of Health and Aged Care 2022, Telehealth hits 100 million services milestone, 17 March, media release, viewed 30 November 2022, <https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/telehealth-hits-100-million-services-milestone>

On further research, Gregory also encountered this report from *IBISWorld*:

### Executive Summary

**Back in business:** A return to offices and retail stores has boosted demand from downstream markets

Operators in the Commercial Property Management industry are responsible for managing their clients' commercial real estate holdings. Their duties include tenant management and rent collection. Industry operators have faced difficult trading conditions over the past five years. Declines in demand from key downstream markets have constrained industry performance over the period. Working from home mandates and sporadic lockdown measures introduced across the country to curb the spread of COVID-19 have reduced demand from office and retail property operators. However, increases in the number of businesses over the past five years have benefited operators via an expanded customer base. Overall, industry revenue is expected to decline at an annualised 6.9% over the five years through 2022-23, to \$1.5 billion.

Due to mounting wage costs over the past five years, many operators have focused on achieving operating efficiencies to conserve their profit margins. Some larger firms have procured licenses for accounting and organisational software. The industry is fragmented but has slightly consolidated over the past five years as major players have increased their market shares through acquisitions of smaller scale operators. Easing COVID-19 pandemic restrictions in the current year have [sic] benefited industry operators. Specifically,



employees returning to work and shoppers returning to retail stores have boosted demand from key downstream markets. Industry revenue is expected to grow by 4.5% in the current year.

Low barriers to entry and forecast profitability increases are projected to attract new industry players over the next five years, keeping competition high. Revenue is projected to grow over the period due to a recovery in demand from downstream markets, such as retail and office property operators. Australia's transition to a service-based economy and the prevalence of online shopping, which requires warehousing and distribution centres, are also projected to boost industry demand. However, a forecast rise in interest rates is projected to limit the expansion of downstream businesses due to the associated cost of borrowing, which is likely to subdue industry revenue generation over the period. Industry revenue is forecast to grow at an annualised 2.1% over the five years through 2027-28, to \$1.7 billion.

Source: Gannon, D 2022, Commercial Property Management in Australia, IBISWorld, October, report, p 9, viewed 12 November 2022, <https://my.ibisworld.com/download/au/en/industry-specialized/5433/1/0/pdf>.

## Covert Boss television program

Last year, Gregory was approached by the producers of a reality television program to participate in an episode of Covert Boss – Western Australia.

In this program, the leader of an organisation (the 'boss') goes to work undercover in their organisation, changing their appearance and using a fictional back story. The accompanying camera crew is given a fictitious explanation that this executive is participating in a documentary about entry-level workers in a particular industry. The boss spends approximately one week working undercover in various areas of the organisation's operations – in a different job role and, in most cases, a different location – each day. The boss is exposed to a series of predicaments, which often leads to amusing results. They consequently spend time getting to know the people who work in the organisation and learning about their professional and personal challenges.

At the end of their week working undercover, the boss asks the employees they worked with while they were in their other persona to attend the corporate headquarters individually. The boss then reveals their identity to the employees and rewards hardworking employees with a training scholarship, a job promotion, or financial rewards. Other employees are given training or better working conditions.

Gregory's original intention in agreeing to participate in the television program was to gain positive exposure to highlight the UbH hub's success and, specifically, its ground floor retail stores and services. He anticipated that the program would showcase the organisation, promote an increase in the number of employees wanting to work for UbH and demonstrate UbH's commitment to customer service.

However, Gregory decided that he would be too easily recognisable due to his familiarity with UbH staff, so he asked his best friend, Stanley, to undertake the role of 'covert boss' on his behalf. To ensure that staff were not suspicious of who Stanley was he was introduced as a new facilities manager for UbH. While undertaking the covert boss role, Stanley provided a full review of the retail stores and a report of his observations to the executive team.



## Stanley's Covert Boss report for the UbH executive team

Stanley's observations of UbH's operations included:

Service	Name	Observation
Concierge	Concierge	The concierge desk was sometimes unattended; however, there was not a lot of demand for service as customers were generally returning for an appointment and knew where to go.
Childcare services	Building Blocks Childcare Centre	Childcare centre places were generally always full. Staff advised that they were at capacity for most days between 10am and 2pm. Staff were engaged with the children in their care.
Food court	Suzy's Sandwiches	Clean, organised and well managed.
Food court	Wrap Me Up Sushi Roll	Clean, organised and well managed.
Food court	Solo Salads	Clean, organised and well managed. Only had a limited number of menu items.
Pharmacy (physical store only, no online presence)	United Pharmacy	Pharmacy items were attractively presented. The store layout and stock display reinforced UbH's professional image and, from my observations, encourage customers to purchase front-of-store products, in addition to prescription products.  Staff working in the pharmacy were knowledgeable, highly skilled and able to professionally answer any question that I asked them.  Some shelves for popular, high-turnover stock items were empty.
Shoe store	United Soles	A large amount of inventory was stored at the rear of the store and was disorganised.
Eyeglasses store	United Eyewear	Style of eyeglasses tends to favour the older generation demographic.
Herbal supplements store	United Supplements	Store was tidy and products were displayed attractively.  There were always 5–6 customers waiting in line to purchase items at the sales counter.

During the filming of Covert Boss at the UbH health hub, Stanley spent time with the employees in the various stores as well as interacted with customers. Gregory reflected on Stanley's experiences in the UbH monthly newsletter Health is our Focus, where he wrote:

In November, a close friend of mine, Stanley, participated in the internationally renowned television series Covert Boss – Western Australia. Over the course of a week, Stanley was successfully disguised as an employee at UbH. I am happy to report that he was not recognised at any point, so I am comfortable to report that Stanley saw the business through the eyes of an employee, could focus on the interactions he had with customers and observe the interactions of other employees with customers.

This experience has given me the opportunity to see the real UbH. I believe that this organisation, made up of multiple stakeholders, should be proud of the critical health services it provides to the people of Baldivis and beyond.





During his time working undercover, Stanley spent time interacting with employees and customers. He adopted an enquiring mind and engaged in open conversations with UbH employees and the customers who come to our building. These were some of the comments that he recorded from his conversations:

"This pharmacy has everything that I need. I can attend my medical appointment with my general practitioner and obtain my medications at the same place."

"It is so convenient to be able to leave my two children at the childcare centre so that I can focus on receiving treatment from my physiotherapist."

"I enjoy having some fresh, healthy food."

"Sometimes the lifts are not working, and the building could be better maintained with some fresh paint."

"Being an employee for UbH has some challenges, but I wouldn't want to work anywhere else."

"The pharmacy staff are very knowledgeable. They add an extra level of care and support following my visit to my favourite GP, Dr Ken Burger."

"I buy all my shoes from United Soles. I especially like that Grant, the podiatrist, provides me with a list of shoes that suit my feet."

"Looking after children so that their carers can attend medical appointments fills me with joy. It ensures that carers can focus on their health needs while we care for their children."

These insights will help me shape the future direction of UbH, and I thank all who supported this journey.

In keeping with the format of the television program, I have given the pharmacy manager, Jade McMahon, an overseas holiday for her and her family. In anticipation of the opening of more United Pharmacy Stores, I have promoted Jade to the role of pharmacy training manager, so that she can train franchisees to conduct their businesses in a way that is consistent with UbH values.

I look forward to you watching the full episode, which will air on Channel 11 on Friday, 14 September 2021 at 8pm.

*Gregory Blanchett*

## A new opportunity

At a recent meeting with you, Gregory excitedly explained that he plans to expand his pharmacy services to capitalise on consumer demand by establishing a United by Health Pharmacy Network (UbHPN).

Gregory researched the pharmacy industry in Australia, which led him to an *IBISWorld* 2022 report titled *Pharmacies in Australia* (Richardson, A 2022, *Pharmacies in Australia*, IBISWorld, August, viewed 1 November 2022, <https://my.ibisworld.com/download/au/en/industry/1878/1/0/pdf>). The report includes a brief overview of Australia's pharmacy industry and outlines its primary activities, which are as follows:

The industry's primary activities include the following:

- Drug retailing
- Patent medicine retailing
- Pharmacy retailing and operations
- Prescription and non-prescription medicine dispensing.



The industry's major products and services include the following:

- Prescription medicines
- Scheduled non-prescription medicines
- General retail.

The report also includes very useful and up-to-date information, including a comprehensive outlook for the industry. Gregory found the following extract from this report particularly interesting (Richardson 2022, p 9):

### Executive Summary

**Hard pill to swallow:** Ongoing [Pharmaceutical Benefits Scheme (PBS)] reforms and external competition to constrict revenue growth

The Pharmacies industry plays an important role in community primary health care. Retail pharmacies are the primary distribution points for prescription and scheduled over-the-counter medicines. Intensifying retail competition from new internal and external operators, such as discount pharmacies and supermarkets, has gradually changed the industry's operating landscape over the past decade. These new competitive forces have increasingly polarised the industry into small, high-service pharmacies that offer allied preventative and primary healthcare services and large, high-volume, low-margin pharmacies that compete on price. Additionally, ongoing PBS price disclosure reforms have progressively cut the cost of PBS medicines (including a growing number of commonly used drugs), negatively affecting traditional industry revenue streams.

Deflationary pricing pressures and intensifying competition have constrained the industry's expansion over the past five years. Nevertheless, industry revenue is expected to grow at an annualised 3.6% over the five years through 2022-23, to \$25.6 billion. Operators have focused on increasing non-PBS and other retail revenue streams to become less reliant on dispensary revenue, supporting revenue growth. The ongoing COVID-19 pandemic, the associated rollout of the national COVID-19 vaccination program and the continued move to electronic prescriptions are expected to influence the industry's operating environment in the current year. As of early August 2022, 3,617 pharmacies have administered 8.4 million COVID-19 vaccines. Revenue is anticipated to grow by 4.1% in the current year, driven by the provision of new value-added services and revenue streams.

Ongoing challenging conditions and further regulatory changes are projected for the industry over the next five years. In response, industry players will likely look for funding models outside the Community Pharmacy Agreement to enhance the industry's role in the wider primary care setting, including the role of community pharmacies as health hubs. Industry revenue is forecast to grow at an annualised 2.1% over the five years through 2027-28, to \$28.3 billion. New customer service-based business models and Australia's ageing population are projected to drive revenue growth over the period.



## Other key parts of the 2022 IBISWorld report on the pharmacies industry in Australia

### Key success factors

The *IBISWorld* report identified key success factors for a business. The following are the most important for the pharmacies industry (Richardson 2022, p 22):

#### **Membership of joint marketing/distribution operations:**

Pharmacies that are associated or affiliated with a buying group or chain benefit from operational support and improved purchasing capabilities.

#### **Ability to control stock on hand:**

Pharmacies must ensure adequate stock controls are in place to reduce inventory costs and increase stock turns. Adequately managing stock has become increasingly important as upstream wholesalers have cut trading terms and delivery runs.

#### **Production of goods currently favoured by the market:**

Pharmacies must ensure they stock popular products to encourage consumer spending and support revenue streams.

#### **Experienced work force:**

Pharmacies are increasingly providing more healthcare services, meaning operators must employ knowledgeable and skilled staff.

#### **Attractive product presentation:**

A pharmacy's store layout and stock display should reinforce its professional image and encourage customers to purchase front-of-store products, in addition to prescription products.

#### **Proximity to key markets:**

A pharmacy should be located in an area with high foot traffic and preferably be near a medical practitioner or medical centre.



## Competitor analysis

The report also includes an analysis of the major players in the industry, which Gregory also found very informative. He summarised the key points of the analysis and organised them in a table format, as follows.

Competitor	% Share of market	Overview
My Chemist Retail Group (Chemist Warehouse, My Chemist)	18.3	<p>One of Australia's largest pharmacy groups; has over 420 stores across Australia.</p> <p>Operations changed from individual partnership model to full franchise model.</p> <p>Operates across two store models: a large-scale, discount pharmacy that competes on price (Chemist Warehouse) and a pharmacy that is focused on health and beauty (My Chemist).</p> <p>It has large buying group power that provides it with purchasing capabilities.</p> <p>Its group sales are expected to grow at an annualised rate of 4.4% over five years through 2022–23.</p>
Sigma Healthcare Ltd (Amcal, Guardian, PharmaSave, Discount Drug Stores, WholeLife)	14.4	<p>It currently has approximately 530 stores in its network and has the largest branded retail pharmacy presence of the groups listed in the table.</p> <p>It has over 500 private-label products across 27 categories.</p> <p>Its banner group sales are expected to grow at an annualised rate of 2.3% over the five years through January 2023.</p>
EBOS Group Ltd (TerryWhite Chemmart, healthSAVE Pharmacy)	13.0	<p>It is based in New Zealand and is a diversified healthcare company 'that generates revenue by manufacturing, wholesaling, and distributing a range of healthcare, medical, pharmaceutical and animal health products'.</p> <p>It has over 500 stores across Australia.</p> <p>Its group sales are expected to increase at an annualised rate of 9.5% over the five years through 2022–23.</p>
Australian Pharmaceutical Industries Pty Ltd (API) (Priceline Pharmacy, Soul Pattinson, Pharmacist Advice)	7.7	<p>It is a 'health and beauty company involved in pharmacy distribution, consumer brand manufacturing and retailing'.</p> <p>Priceline has large loyalty club (Priceline Sister Club) that has 7.5 million members.</p> <p>It successfully introduced online click-and-collect services for Priceline – which contributed to an increase in online sales for Priceline by 69% in 2019–20.</p> <p>Its total banner group sales (excluding Priceline stores without pharmacy operations) are expected to grow at an annualised rate of 1.7% over the five years through August 2023.</p>
Other	46.6	<p>This group is comprised of individual pharmacists, who are 'estimated to own over half of Australia's pharmacies' (due to ownership regulations).</p>

(Adapted from: Richardson 2022, pp 27–31)



## Developments in the pharmacies industry

Gregory is interested in media reports that identify several key developments that could impact on his plans to expand the number of UbH pharmacies. One of these developments is the growth of home delivery of pharmacy items.

### Home delivery of pharmacy items

While visiting his local supermarket, Gregory saw a poster advertising home delivery of groceries with guaranteed short time frames. Gregory wants to introduce a similar delivery service as a point of competitive advantage for UbHPN. Gregory believes that combining a delivery service with an online ordering platform would increase revenue, and customers would value the service.

Gregory decided to conduct further research on this concept and found an article in the Financial Review about Woolworths's successful launch of its 60-minute delivery program. He noted the following points:

- Woolworths successfully piloted 60-minute deliveries in Sydney and is expanding this promise to five Melbourne Metro stores.
- Customers must order a minimum of \$20 and pay a delivery fee of \$5.
- Only the most popular items would be available to purchase for home delivery, not the full range of products.
- Several start-ups, such as Milkrun, Send, Quicko and Voly, that have made these delivery promises have not been able to sustain the short time frame delivery promises.

Source: Financial Review 2022, Woolworths' Metro60 fast grocery delivery launches in Melbourne, 15 August, viewed 28 December 2022, <https://www.afr.com/companies/retail/woolworths-metro60-fast-grocery-delivery-launches-in-melbourne-20220811-p5b96r>.

There are currently several online pharmacies that offer a delivery service, but none of them have a level of promise similar to the one offered by Woolworths. Gregory has started contacting delivery partners, including those working for rideshare companies. He is interested to learn more about their business models and how they could assist him with his plans for home delivery.

### Expansion of services for pharmacies

More pharmacies have been forecast to offer remunerated professional services related to preventative and primary healthcare, including vaccinations, health screening and medicine reviews.

Gregory recently read an article about a plan to give pharmacists in New South Wales the power to prescribe medications for patients (ABC News 2022, NSW government moves to increase pharmacists' powers amid doctor backlash, 13 November, viewed 24 November 2022, <https://amp.abc.net.au/article/101647832>). Gregory has heard that the Western Australian Government is also considering this move.

The service expansion plan aims to reduce pressure in emergency departments and doctors' offices. With this program:

- Pharmacists will be able to increase the variety of vaccines that they are able to administer to patients.
- Pharmacists will be able to prescribe medications without consulting a doctor.
- Foot traffic to pharmacies will increase due to more patients needing prescriptions that need to be filled – this will be particularly successful if pharmacies are in stand-alone locations.



## Strong push for prescriptions to be sold through supermarkets

Currently, there is limited competition in the industry, but this is likely to change as pressure grows from supermarkets to expand their healthcare products. IBISWorld's Pharmacies in Australia report notes:

The industry's operating and regulatory environments limit external competition in the Australian Pharmacies industry, as only pharmacies and hospitals can dispense prescription medicines.

Pharmacies have some protection from competition on certain product lines, including scheduled non-prescription medicines and other products that only pharmacies can sell.

However, pharmacies have been under growing pressure from external rivals, including supermarkets and other non-pharmacy outlets such as health and beauty niche retailers, and discount department stores. These types of outlets have been increasing their product ranges to encompass goods previously only stocked by pharmacies. Competition also comes from online pharmacies.

(Source: Richardson 2022, p 25)

State-based laws limit the ownership of pharmacies to registered pharmacists and govern the location of approved pharmacies through the Pharmacy Location Rules.

## Gregory's future plans

### Succession plan

Gregory wants to develop UbH further, not just because of business opportunities but also as a means of keeping his daughter, Cristina, in the business.

She currently works in the United Pharmacy retail store on the ground floor of the UbH building as the registered pharmacist. Cristina graduated with honours, has a bachelor's degree in pharmacy and worked for large pharmaceutical companies for over 10 years. She currently is also completing a Master of Business Administration (MBA) degree and is keen to apply the skills she has learned in the pharmacy business. She also agrees with her father that there may be opportunities to expand UbH by establishing a network of United Pharmacy retail stores.

Gregory has considered establishing and implementing a succession plan for the business but has never had time to formulate a clear plan.

### Current 'stated strategy'

During your meeting with Gregory, he described the strategy for UbH:

We think that the United by Health Pharmacy Network (UbHPN) opportunity could be really big. We want it to be a multimillion-dollar brand in two years' time. We have a strong base of customers who attend our health hub; however, we also want people to associate the hub with a high level of care and to purchase their pharmacy items at our network of pharmacy stores. The convenience of being able to order those items and have them delivered within a short period of time will be attractive to our customers.



Gregory wants to grow the UbHPN pharmacy network over the next two years to make it a significant and sustainable part of the UbH business. He wants to know how UbH can incorporate the UbHPN services into its current business model.

## Task

It is recommended that you prepare the following to support Assessment 1:

- A business model canvas (BMC) for UbH
- A strategic analysis of UbH's external and internal environment
- An analysis of UbH's current strategy and how it can be adapted and improved
- A new BMC.

These tasks will help you to answer the quiz questions.

