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## **MEDIA STATEMENT**

### **Pharmacy attempts to 'switch' customers to house brands threatens customer loyalty and profitability**

The Australian Self-Medication Industry (ASMI), the industry body representing non-prescription consumer healthcare products today warned pharmacists that attempts to 'switch' customers to private label brands pose a risk to customer loyalty and profitability.

"Where shoppers want to purchase a recognised brand, attempts to switch a customer to a private label brand can be counterproductive for pharmacists," ASMI Executive Director, Juliet Seifert said.

A recent mystery shopping exercise undertaken by ASMI showed that approximately 13 per cent of pharmacists or pharmacy assistants attempted to switch consumers from a specific recognised branded product to a private label brand. The study covered seven specified brands across 167 pharmacies in Sydney and Brisbane and was undertaken by Crossmark, a firm that specialises in retail brand health.

Switching occurred more often in Brisbane (15%) than in Sydney (11%).

Banner groups of pharmacists are more likely to engage in switching, with one group attempting to switch almost 70 per cent of shoppers in the survey from their requested brand.

All the evidence suggests that chasing a slightly higher profit margin from private label products can be at the cost of longer term returns from well-known branded products.

Leading community pharmacy business analyst, Bruce Annabel from Johnston Rorke says that the attraction of private brands can be illusory and short-lived.

"The leading products have brand equity and they are sought out by customers who are after a quality product while the private lines cater to those on a budget.

"Certainly there can be a place for private labels but we are seeing some pharmacies where there is a proliferation of private lines at the expense of branded items.

"While this may provide a short term lift in profitability it is like a slow death because it runs down the value of the product and encourages people to buy on price rather than quality.

"The S2 and S3 categories are the most profitable in the retail space and some pharmacies just seem to be taking them for granted. It risks downgrading the value of the OTC market to pharmacists as non-branded products become commoditised," Mr Annabel said.

Switching customers who specifically request branded products also risks alienating customers, according to one of the country's most successful pharmacists.



BETTER HEALTH THROUGH RESPONSIBLE SELF CARE



The head of the largest community based pharmacy in Australia, the Cincotta Discount Chemist at Merrylands says he only stocks national brands.

Peter Feros, Managing Director of Pharmacy Works and Director of the Cincotta Discount Chemist Franchise said: "The national brands grow the market through their advertising.

"Cincotta's strategy is to tap into this growth, through joint advertising, and the national brands are very supportive of this".

The strategy has helped Cincotta's Merrylands outlet reach annual sales of more than \$30 million.

A recent study conducted for Johnson & Johnson Pacific found that 39 per cent of consumers disliked the practice of pharmacists attempting to switch them to a private label when buying OTC cold and flu products.

The survey found that almost half of all consumers (48 per cent) were unsure about the quality of private label cold and flu products. Some 31 per cent said they were happy to buy private label when it comes to food, but were not prepared to buy private label medicines.

Twenty five per cent of those surveyed said they were less likely to return to a pharmacy after being subject to attempted switching.

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About ASMI: The Australian Self-Medication Industry (ASMI) is the peak industry body for the Australian self care industry representing consumer healthcare products including over-the-counter medicines and complementary medicines. ASMI's mission is to promote better health through responsible self-care. This means ensuring that safe and effective self-care products are readily available to all Australians at a reasonable cost. ASMI works to encourage responsible use by consumers and an increasing role for cost-effective self-medication products as part of the broad national health strategy.  
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