

PharmacyFirst+ Insights

Retail Pricing Guide

There is a well-known relationship between the retail price of goods and how many will sell – but every pharmacy wants to achieve the highest prices it can to cover the costs of running the business and still make a profit.

Not all products will sell more if they are priced lower – for example many medicines are only purchased when a customer needs them.

Pharmacies should identify a small number of “Known Value Items” (KVIs) which are usually products that customers purchase regularly, and to price promote these to give a favourable impression to customers that the pharmacy is “good value”. Some examples of KVIs are Fish Oil, Glucosamine, Magnesium, Panadol 100s, Elevit 100s, and Nurofen 96s.

For most retail pharmacy products, we recommend using a standard markup of 80% (i.e., costs multiplied x 1.8 + GST) – or more if you are getting better buying discounts. This provides a Gross Margin % of 44.4% which has become “the norm” for the retail pharmacies (see below).

| Markup % | Multiply Costs by: | Gross Margin % |
|------------|--------------------|----------------|
| 50% | x 1.5 + GST | 33% |
| 60% | x 1.6 + GST | 37.5% |
| 70% | x 1.7 + GST | 41.2% |
| 80% | x 1.8 + GST | 44.4% |
| 90% | x 1.9 + GST | 47.3% |
| 100% | x 2 + GST | 50% |

All customers know that you pay less in some stores and get lower levels of quality and service – e.g., Number One Shoes Vs Hannahs, Pak N Save Vs the local Butcher – so **pharmacies that have better service levels than other outlets are expected to have higher prices.**

All retailers need to look at the following four quadrants and decide which **ONE** they want to be famous for.

What are you famous for?



People do not usually travel across town just to visit your local community pharmacy – so being cheapest is NOT a good strategy for your pharmacy.

Customers choose **your pharmacy** because of these 4 key reasons:

1. it is convenient,
2. it has the products they need,
3. it has friendly, helpful staff and
4. because it offers value for money

If you have an inconvenient location, a poor product range and bad service – then you should lower your prices!

For more information contact your PWL representative or email: support@rpmretail.com Ph 03 3777615