

rpmretail

YOUR RPM GUIDE TO

# Improving Retail Gross Margin %

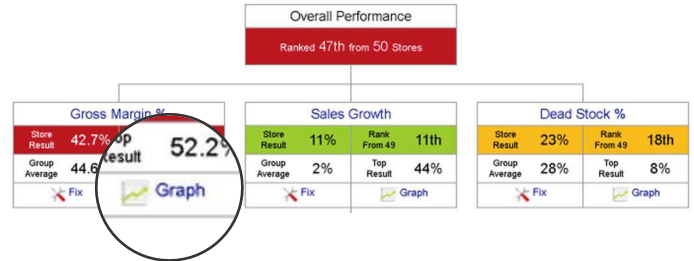


# Get an overview of where you're missing out on Gross Margin \$

Go to the RPM / *Scoreboard*

Click on the Gross Margin % Graph

- This shows you the trend for the last 90 days.
- Check this report every week or two to check on your progress.



Click on the Gross Margin % - Fix “wizard”

- This shows Categories where you are missing out on Gross Margin \$ (compared with other pharmacies).
- You can click “Next” in the Fix “wizard” to see more details – however it is quicker to go to the full reports below which are a short cut to view all product “exceptions”.

**The Target Retail Gross Margin is 45% - or higher (unless you are having a clearance sale).**

## Adjust Low Priced Products

Go to RPM / *Reports* and click on the *Low Priced Products* report.

Click on the “Product” heading to sort the report into alphabetical order.

- This shows products sold where your retail price is too low (vs the group average).

ID	Product	Store Price	Group Avg	Potential Margin
1	002231	0.99	1.00	
2	228476	0.99	1.00	
3	219198	0.99	1.00	
4	205225	0.99	1.00	
5	205232	0.99	1.00	
6	205211	0.99	1.00	
7	205141	0.99	1.00	
8	222383	0.99	1.00	
9	441731	0.99	1.00	
10	313982	0.99	1.00	
11	249912	0.99	1.00	
12	381842	0.99	1.00	
13	225222	0.99	1.00	
14	230711	0.99	1.00	
15	225499	0.99	1.00	
16	230181	0.99	1.00	
17	230183	0.99	1.00	
18	421839	0.99	1.00	
19	249982	0.99	1.00	
20	251824	0.99	1.00	
21	253423	0.99	1.00	

Reprice these items UP to the Group average (rounded up to the nearest 99c).

## Adjust High Cost Products

Go to RPM / *Reports* and Click on the *High Cost Products* report.

Click on the “Product” heading to sort the report into alphabetical order.

- This shows products sold where your cost price is too high (vs the group average).

**Contact these suppliers to enquire about improved buying terms – or ensure you are buying from your wholesaler to achieve the volume discounts.**



### **We can help!**

Contact RPM to enquire about which suppliers you should be ordering “direct” from to achieve best buying terms for your pharmacy.

# 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 in order to cover the costs of running the business and still make a profit.

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%	1.5 + GST	33%
60%	1.6 + GST	37.5%
70%	1.7 + GST	41.2%
80%	1.8 + GST	44.4%
90%	1.9 + GST	47.3%
100%	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 these four quadrants and decide which ONE they want to be 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.

Expert

Most  
Convenient

Biggest  
Range

Cheapest



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



Customers choose your pharmacy because of these 4 key reasons: it is **convenient**, it has the **products they need**, it has **friendly, helpful staff** and because it offers **value for money**.

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



**RPM Retail**

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