

Mr. Hugh Reid
President, Scotia Jamaica Life Insurance Company Ltd and Senior Vice President
Scotiabank Group
Keynote address: Operating a successful business in the current economic climate”
The Pharmaceutical Society of Jamaica’s Annual Pharmaceutical Retreat
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Hilton Rosehall

Madam Master of Ceremonies

The Honourable Dr Fenton Ferguson, Minister of Health

His Worship, The Mayor, Councillor Glendon Harris

Mrs. Valerie Germain, President, Pharmaceutical Society of Jamaica

Other distinguished guests at the Head Table,

Ladies and Gentlemen,

On behalf of the Board and Staff of the Scotiabank Group I am delighted to congratulate the Pharmaceutical Society of Jamaica on the 27th staging of this retreat. Putting on my other hat as President of the Insurance Association of Jamaica, the Association salutes the Society for its vision, tenacity, professionalism and the enduring contribution you have made to the health sector and the well being of the nation.

This morning ladies and gentlemen I will talk about *Operating a Successful Business in the Current Economic Climate* from two perspectives. One, sharing recommendations with the pharmacist as business owner and the other, encouraging pharmacists who are employees to consider the path of business ownership, given the highly valuable expertise they already possess.

There are many points I could make about business success for example, did you know that Jamaica has one of the highest business start up rates in the world? The issue we have as a country is not therefore one of business start ups but of sustaining these businesses once they have started. We also know that among the key indicators of business success is access to capital, affordable interest rates and strong management support. I could also talk at length about the challenges in the economic environment, but at this time, the only thing

I will say is that strong businesses are often able to ride out a bad economy and very often, in spite of tumult and a tough environment there are still opportunities, especially for essential services such as yours, to do well. The big economic picture may be daunting, but within it there are some encouraging elements for example, interest rates have trended down in a big way and now is an ideal time to refinance those large debts in order to take advantage of interest rates that are at historic lows. Financial institutions like Scotiabank will be more than happy to talk with you on this.

May I have a show of hands of the number of pharmacists who also own pharmacies who are here today?

May I see a show of hands of all pharmacists who intend to set up your own pharmacies?

Excellent, so if I were doing research, I would conclude from this brief study that most pharmacists are entrepreneurial.

This brings me to the first of five key recommendations I'll make about operating a business successfully. The importance of *Innovation*.

In recent years, despite a fear of crime, quite a few pharmacies have extended their opening hours. This has worked brilliantly and helps them cater to customers who are not able to make it during the typical hours. This innovative move has clearly worked favourably for a number of entities. Quite a lot has been documented about innovation, but one particular approach that I agree with, states:

“...in tough economic times, innovation often requires too much risk for an organization and its change-resistant customers. Instead of dreaming of The Next Big Thing, focus on innovating in smaller, shorter bursts. Look for improvements to current products and services. Use small and cheap experiments to test new ideas. Seek out innovations that are easily adapted by consumers and don't require huge investments. These innovations are more likely to be palatable to your

stakeholders and customers, and they're often the building blocks for larger, more long-term breakthroughs..."

You can cultivate innovation by:

Firstly exposing limiting thinking

Secondly focusing on the long-term

Thirdly challenging rationalization and ignoring those who will tell you it cannot be done. Digicel was warned by many experts against entering the Jamaican and Haitian markets, but they did their homework, introduced innovative business models and we all know that the rest is history.

The second recommendation I'll make about operating a business successfully is the critical requirement to ensure that you always deliver ***Good Value for Money***.

Again, a recent Harvard Business Review article pointed out that:

"smart companies perceive not just threats in a recession but also opportunities. Their goal is to grow so they can emerge stronger from the downturn. In fact, during the Great Depression of the 1930s, companies like General Electric, Kellogg, and Procter & Gamble outmaneuvered rivals to become leaders. They turned adversity into advantage in different ways, but a quick analysis reveals one common thread: During the Depression, these companies developed value-for-money strategies: They grew by delivering products and services that enabled hard-hit consumers to do more with the same resources and become more effective; to do the same with fewer resources, thereby improving their efficiency; or to do less with far fewer resources, which helped them economize."

All consumers place a high premium on value, the economic situation just makes this more of an imperative. Both the minimum wage earner and the high income earner must stretch their dollar. Helping your customers achieve that essential objective, will make you their champion, build their loyalty, broaden your customer base and keep you doing well in spite of the economic challenges.

Just to share one valuable bit of advice however, when you do your customer feedback, don't just ask customers for solutions as they do not know the details of your constraints. Instead, ask for outcomes. Don't just focus on what customers say they want; listen carefully to how they say they want to feel when they come to your store; what they want to smell; what they want to hear, what they want to see. Think carefully about how efficiently you can provide these services and make adjustments accordingly.

Speak to the Henry Ford and the Model T story

The third recommendation is that you deliver excellent, warm, authentic, professional *Customer Service*:

Effective customer service provides choice, offers a solution and guarantees a good experience. When the customer leaves your store they should know they will return, they will tell their friends and family about you, and they will see you as the go-to venue. Can you think of a few places that are like that for you? I certainly can, and one of them is a pharmacy.

Measurement of customers' experience is valuable and I recommend that you look at doing annual customer service surveys or find other ways of capturing your customers' feedback. But ensure that you act on the feedback, some of which can be implemented at very low cost, yet have a huge impact.

The fourth recommendation is that you consider *location, location, location*.

I know a family that operated a pharmacy for two generations. However, a few years ago, business dried up and they closed their operations. One of the lessons that came out of their experience was, had they been willing to move from that location, they perhaps would have still been in business today. They were threatened by the presence of three other pharmacies in the area. Two were prominently located with prime access to pedestrian traffic and with signs that could be seen by motorists.

You may be at a location where the rent is affordable, you may really like the set up, but, with the tough economic conditions, tough decisions must be made and perhaps, you might see improvements in your revenue flow if you were to relocate.

Do your homework, find out from your parish councils and from the NWA, about planned road works or other infrastructural changes that could affect the flow of traffic in your current location, or in any other you have an interest in opening business.

You may also be surprised by your research to find that some highly heavily trafficked areas are actually underserved or that property in some locations is cheaper to lease or rent than you might have thought. Bottom line, do your homework, use your network, get professional support from real estate specialists; but before you think of giving up on business, see if you could offer your services from a different location.

My fifth recommendation this morning and maybe the most important is the importance of selecting and executing the right strategy.

Your number one strategic intent should be to operate a business that generates sustainable profits based on a unique business model or customer value proposition. The success of your strategy is measured by successful execution and that happens when all key stakeholders within the organization are clear about the direction, the decisions that must be taken, and the specific actions that will realize those decisions. Invest time in reflecting on your approach to business and cultivating your differentiating factor. You will find that through honing your strategy that your operations and output will improve. You may also identify and have to face up to some very hard facts about the way you do business that

may require a complete, painful and costly overhaul. But if your objective is to survive through tough times, be courageous in doing what is necessary. What I have in mind fits with what expert on strategy, Michael Porter had to say recently in the Harvard Business Review:

“A company can outperform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs.”

Let me also add a few key tips from the experts at the Scotiabank Small and Medium Enterprises Unit

- Maintain proper records, and use it to drive your decision making
- Manage your expenses and put efficient expense management systems in place
- Get comfortable with IT as a way of reducing costs
- Work on developing and building a good relationship with your employees as all business success is built on your people and your team
- Use appropriate financing products to fund your business operations. For example we are constantly surprised by how many individuals and small businesses are unaware of the benefits of having a line of credit and are financing their business using credit cards.

With 414 pharmacies, many of which maintain long opening hours, 22 public hospitals and a large network of public health centres and the 807 trained pharmacists in the system, ladies and gentlemen it is clear there is quite a bit of opportunity for both the profession and for enterprise. I encourage that the Society to continue to build its professional development programme by infusing opportunities for training in entrepreneurship and business skills. I briefly looked at the outline of the Pharmacy programme at the UTECH

website and did observe an inclusion of business subjects. May I encourage the Society and in particular the seasoned business owners to work with UTECH to look at establishing a business management and entrepreneurship module or component. I can easily envision the positive results of such a programme. I encourage business owners to make use of the resources available to assist you; for example, Scotiabank funds the Chair in Entrepreneurship at UTECH from which you can access research, training and other support. Similarly our SME unit runs several action clinics for business owners throughout the year. There are several other programmes elsewhere, for example, the Hilary Clinton initiative to support women owned businesses is now in Jamaica and provides certification and marketing support.

Mrs. Germain, ladies and gentlemen, it has been my pleasure to share with you this morning and I wish for you a highly productive retreat.