

How Medbase Pharmacies Leverage Data to Better Align with Patient Needs

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Introduction

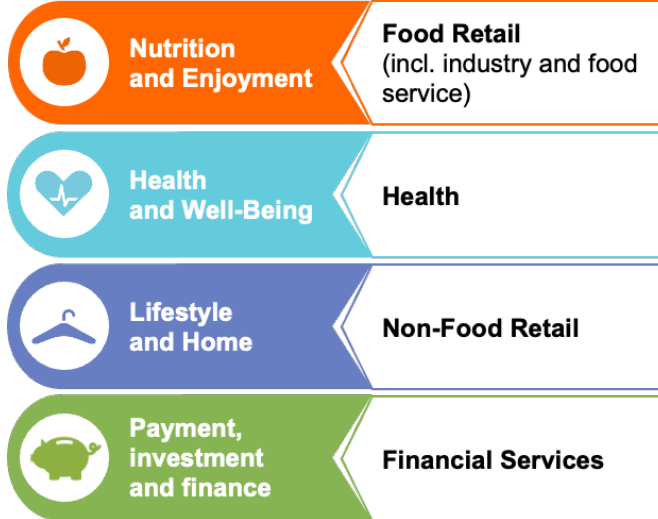
Medbase is part of the Migros Group and a comprehensive healthcare provider

MIGROS

medbase

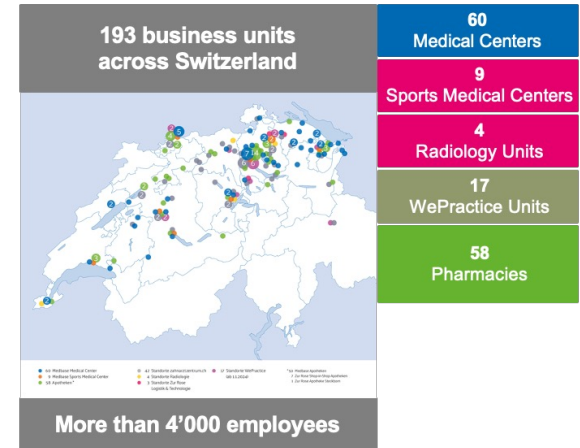
Areas of need

Strategic business areas



The comprehensive healthcare provider Medbase at a glance

- Biggest outpatient medical service provider in Switzerland.
- Broad range of **medical, pharmaceutical and dental products and services with a unique omni-channel approach.**
- Supplying doctors and healthcare organizations as a **wholesaler for medicines and healthcare products.**
- With strong partners in the healthcare sector, we enable **integrated and cross-sector care for our patients.**



Data & Analytics at Migros-Genossenschafts-Bund harnesses its Expertise in Pricing & Assortment to Empower Medbase Apotheken

MIGROS

Migros-Genossenschafts-Bund

Data & Analytics

... drives the transformation of the Migros Group into a data-driven company

We create value from data together with our partners from the Migros Group. We support the business objectives through efficient and scalable use of data, which always corresponds to the values of Migros.



medbase⁺
APOTHEKE

58 Medbase Pharmacies
(incl. 7 Zur Rose shop-in-shop pharmacies, 1 Zur Rose pharmacy Steckborn)



Motivation

- The **competition** in the pharmacy business **is intensifying** due to several market changes:
 - The rise of online trading
 - Sales happening outside of specialized trade
 - Market consolidations
- **Non-prescription product areas**, such as over-the-counter items (OTC) and open-shelf products (e.g., skincare products), along with the **associated consulting services**, are important factors for differentiation.

The design of the **product range** and **pricing** are the **key levers** to remain competitive in the fiercely contested pharmacy business in the future.

Pricing

Challenges

Price-setting could not be systematically performed due to a lack of a consolidated view on product data and adequate analytical insights



- Prices were comprehensible neither for the patients nor for the Medbase employees
- Prices were not competitive in all product categories



Avene Sun Sun Spray
200ml

SPF30
SPF50+

37.90
37.90

Lower price
at competitor

Higher SPF,
same price

Goals

Enable a transparent and easy-to-implement pricing strategy

- Systematic price-setting that can be easily performed on a day-to-day basis
- Comprehensible prices both to the patients and to the pharmacy employees
- Competitive prices that are in line with Medbase Pharmacy financial targets



Increasing margin while maintaining steady sales

Prices are set according to Competitiveness, Margin and Ambition Targets

Setting Parameters for Category-specific Strategy

- **Competitiveness:** Street Price
- **Margins:** Minimal margin target
- **Price Ambition:** Price Elasticity

Optimizing Price-Endings

- Pre-defined **price ending grid**

Generation of Price Suggestions

- Rule-based algorithm

Impact Simulation (per Category)

- Price changes, sales & margins for different scenarios

Proxies for Price Elasticity

- ✓ Promotion uplifts
- ✓ Take-away products



Assortment

Challenges

50 pharmacy locations and 50 location-specific patient needs resulted in huge “long-tail” products in the assortment



- 80% of the total sales are generated by a mere 6% of the products
- Only 5% of products are sold in >80% of Medbase pharmacy locations



Offered at <10 pharmacy locations



Sold <10 times in 2023

Goals

Reduce the complexity of the assortment and align with patient needs

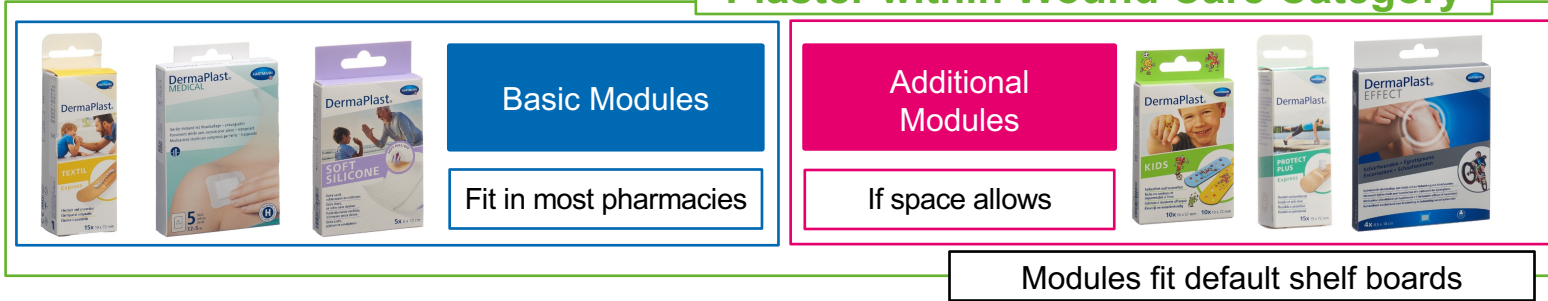
- Product range design in a structured and repeatable way
- Reduce complexity by streamlining the assortment
- Better align with location-specific patients' needs



Increasing sales and lowering complexity costs

Assortment Modules are Key for Structure

Plaster within Wound Care Category



Small Pharmacy



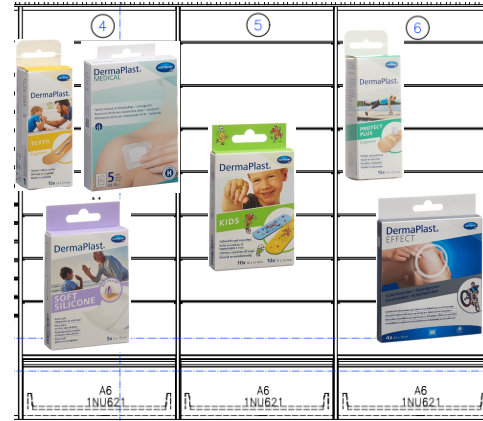
1 Shelf for
Wound Care

Medium Pharmacy



2 Shelves for
Wound Care

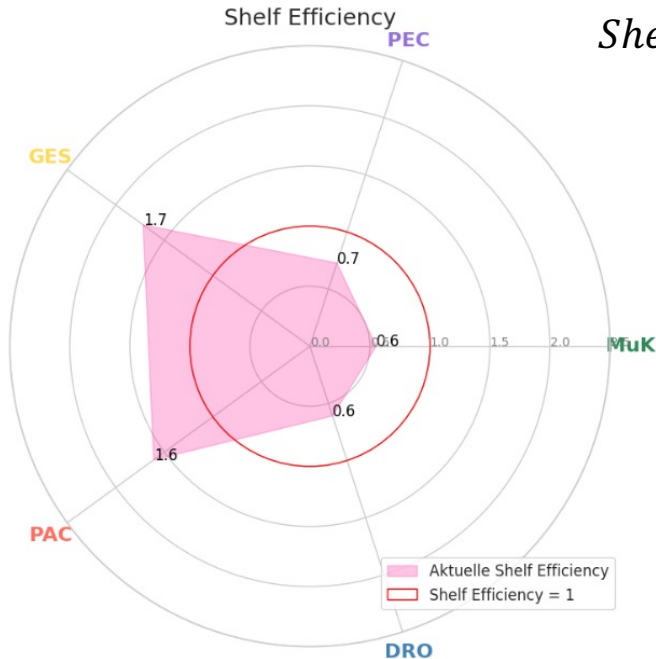
Large Pharmacy



3 Shelves for
Wound Care

Shelf Efficiency Determines Shelf Space per Category, Shelf Elasticity Quantifies the Impact

$$\text{Shelf Efficiency}_{DRO} = \frac{\text{Sales Share}_{DRO}}{\text{Space Allocation Share}_{DRO}}$$



Rough Interpretation

- If *Shelf Efficiency* = 1 → OK
- If *Shelf Efficiency* < 1 → Less Space
- If *Shelf Efficiency* > 1 → More Space

$$\text{Shelf Elasticity} = \frac{\frac{\Delta \text{Sales} / \text{Sales}}{\Delta \text{Shelf meters}}}{\text{Shelf meters}}$$

illustrative figure only

Assigning the Modules to the Available Space or Where Art comes into Play

Prioritization logic for assigning modules to locations



Breadth and depths decisions need to be reflected to ensure a “**well-rounded**” assortment



VS



A/B Testing Results & Lessons Learned

A/B Testing Results Show Increased Margins (And Sales)

Identification Strategy:
Difference-in-Difference Approach

Pricing

- **Design:** 3 product categories in all pharmacies
- **Results:**
 - Higher Margins
 - Sales quantity unchanged

Assortment

- **Design:** 1 product category at 3 pilot pharmacies
- **Results:**
 - stable or increased sales quantities & more volume per product
 - fewer products but the right ones

How to Succeed – Lessons Learned



Interdisciplinary project team & iterative approach



Combine science with art



Change management: Get all pharmacy locations involved from the beginning



Right trade-off between “more structure” vs. “more flexibility”



Building-up business know-how on data science side is an absolute must

Thank you very much for your
attention!

Any questions?

The image shows the top corner of a modern building with a dark grey facade and large glass windows. The word "MIGROS" is mounted on the roofline in large, orange, three-dimensional block letters. The sky is a clear, bright blue with some light, wispy clouds. The building's architecture is clean and minimalist.