

# Health is, indeed, Wealth

By Piasi Sinha

WITH A VISION TO CHANGE THE HEALTHCARE AND PHARMACY RETAIL SCENARIO IN EASTERN INDIA, THE KOLKATA-BASED RS.2,000-CRORE FMCG GIANT EMAMI VENTURED INTO PHARMACY RETAIL ALMOST 10 YEARS AGO WITH FRANK ROSS. TODAY, WITH 30 OUTLETS IN VARIED FORMATS, THE RETAIL CHAIN IS CERTAINLY ONE OF THE MAJOR PLAYERS IN THE CATEGORY.

→ Conquering all categories across the board, the wave of consumerism and organised retail has also hit the healthcare market, a very sensitive sector in India. In the last five years, India's healthcare sector has undergone a sea change. The category has grown by over 15 per cent giving rise to various corporate players emerging in the segment.

## OPPORTUNITIES GALORE

Across the globe, the healthcare industry is growing exponentially and in India its untapped potential is just being explored. As per a study conducted by Technopak, the Indian healthcare sector is expected to grow at 15 to 20 per cent to USD 80 billion by 2013. Currently, the estimated market size of the domestic healthcare retail is almost USD 40 billion.

As per IMS Healthcare (Intercontinental Marketing Services, which provides market intelligence to pharmaceutical healthcare companies), the Indian pharmaceutical market is the world's 13th largest in terms of value and fourth largest in terms of volume; at least 12 per cent of household income is spent on healthcare — a fact that is enough to draw the attention of entrepreneurs. In India, the pharmaceutical market is dominated by over 10 lakh independent chemists and around 2,000 organised retailers. More importantly, the organised market constitutes only

two per cent of the overall domestic pharmacy retail market. India, being an emerging economy, clearly has immense potential in the healthcare category. No wonder, then, that retail brands such as Apollo, Religare, Medplus and Manipal Cure & Care have been on an expansion spree for the last few years to increase their market share in the category.

The growing interest is also endorsed by the fact that Emami entered pharmacy retail by taking over the Kolkata-based traditional pharmacy retailer Frank Ross almost 10 years back. "Organised retail has been a phenomenon, which has affected all the categories including healthcare and pharmacy. The face of retail has changed in all the categories and pharmacy retail is no different. Today customers prefer to go to a store that promises a great ambience and offers good services. The segment has been identified to offer good growth potential too. We already had a chain of hospitals in Kolkata, so venturing into pharmacy retail through Emami Frank Ross Ltd was a natural decision," states Harshvardhan Agarwal, director, Emami Group.

Owned by the city-based Jatia family, Frank Ross was catering to the mass market with its four outlets in and around Kolkata. Today backed by the FMCG major, Frank Ross runs 27 outlets at various locations in West Bengal and three pharmacies in

Ahmedabad, Gujarat, under Emami Frank Ross Ltd. Agarwal further explains the collaboration, "Frank Ross has a 100-year-old heritage in Kolkata and there is a sense of credibility attached to it. The stores required certain value additions to survive in the competitive market. We have not even changed the brand name — only the vision and scale of operation have become bigger."

With its new found image and age-old credibility in the market, Emami Frank Ross Ltd witnessed phenomenal growth in the last few years to reach a turnover of Rs.45 crore in 2008-09 and Rs.60 crore (approx) in 2008-09. It has already set a target of Rs.100 crore for 2009-10.

## FORMULATING A WINNING FORMAT

Understanding the implications of being in an event-driven sector, Frank Ross's basic strategy is to create a format

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that gives optimum service to the customer and establishes connect at the same time. "Medicine can be a necessity item but the buying pattern differs from location to location. We have created our format in a way to reach maximum possible customers most effectively," says Kalyan Ghosh, senior VP (marketing), Emami Frank Ross Ltd.

Creating an effective retail structure, Frank Ross runs its retail operations in four different formats: Cat H, Cat A + , Cat A and Cat B.

The first category or Category H refers to in-house hospital pharmacies, which are located inside hospital premises. Spreading over an average retail space of 1,000 sq.ft, the format caters to the needs of the patients undergoing treatments at a hospital. "We have pharmacies inside AMRI Hospital in Dhakuria

and Ekbalpur. Both the pharmacies have product mixes that cater to the need of a specific target audience. This format suggests more consumption of surgical items than other categories of medicines, so, the stock in this particular format is maintained accordingly," adds Kalyan Ghosh.

For a more premium section of customers, Frank Ross operates through its mall format or Category A+ format spread over 600 sq.ft inside a shopping centre. The company stocks an interesting and more innovative product mix in this format, offering health foods, health supplements, body care, skin care and other categories that advocate the

TURNOVER OF FRANK ROSS,  
UNDER EMAMI FRANK ROSS LTD\*,

YEAR	TURNOVER (IN RS. CRORE)
2003-2004	2.88
2004-2005	8.49
2005-2006	13.97
2006-2007	28.66
2007-2008	45
2008-2009	60
2009-2010	100

\*Starmark, the exclusive chain of books and novelty, is also a part of Emami Frank Ross Ltd, but the above figures account only for Frank Ross pharmacies.



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theme of complete wellbeing. "Until now we have one such store in South City mall catering to the residents of South City Towers. We offer a wide mix of personal care products along with medicines at this outlet," Ghosh informs.

The standalone pharmacy shop has two different formats catering to high streets and local markets in the city. Category A suggests 400 sq.ft retail stores located on high streets and in premium catchments, which predominantly serve the immediate neighbourhoods. "The medicines and pill category constitute the major part

of the stock while the SKU count is nearly 13,000," explains Ghosh. To tap the smaller pockets, Category B stores cater to the middle and lower middle consumer segments. "Category B pharmacies occupy about 200 sq.ft of retail space and are placed mainly in the local markets," he adds. While the company changes the mix of stock depending on the format, the number of SKU remains same.

**LIVING UP TO THE IMAGE**

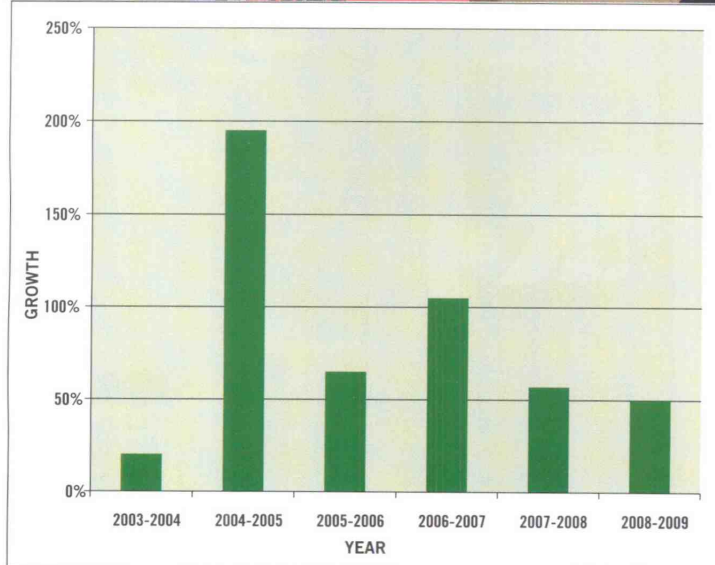
Apart from distinctly positioning the formats to increasing the retail penetration of the brand, the retail

chain also emphasises on creating a modern day retail atmosphere at the delivery counter. "Today the customer is well-exposed to information. This has also led to a higher expectation from the retailer. The retail environment has changed dramatically and a consumer now prefers to go to a store, which sports a professional attitude and is well-stocked to meet their demands," says Agarwal.

The branding philosophy of the retail chain is reflected through its understated yet corporate décor. The colour Green plays a dominant role in all Frank Ross stores. "We wanted to give a 'natural feel' to our customers and we believe that green reflects freshness. To create a professional ambience, a pine wood colour has been used liberally in the décor," adds Ghosh. Taking its corporate objective further, Frank Ross pharmacies also maintain a clearly categorised, customer-friendly display – stock is displayed under several categories such as baby care, skin care, hair care, cardiac, diabetic etc.

Understanding the social obligations of this sector, the retailer maintains a stringent infrastructural parameter in all stores. "Even our smallest store is air conditioned as it increases the efficacy and shelf life of the medicines. Most of our medicines are stored at below 35 degree Celsius," says Ghosh. "All medicines are procured from registered distributors because spurious drugs occupy an estimated 30 per cent of medicine retail in India. Hence, fearing sub-standard and spurious drugs from ordinary shops, consumers increasingly prefer shopping at chain stores or pharmacies that are branded and trusted."

Frank Ross trains sales staff to give maximum assistance and provide information to the customers. The employees are professionally trained by an in-house training department. Ghosh acknowledges that the only way to boost footfall and generate repeat purchases is to satisfy each and every customer with personal attention. "Customers need services in lieu of the money and time they spend in travelling to an organised retailer.



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Retention of customers also depends on availability of products, services, delivery, capability and commitments of the staff standing at our pharmacies." To create a personalised approach, Frank Ross maintains a database of all its customers with their history of ailments.

**PROVIDING THE EDGE**

Emami Frank Ross, being a part of health and wellness category, also emphasises equally on providing value-added services. "We go an extra mile to offer services beyond prescriptions," Ghosh says. The retail chain has an array of value-added services offering free home delivery of medicines, special discounts to senior citizens, war widows, and physically and mentally challenged people. It also offers accident insurance coverage to privilege card holders; organises health quiz programmes and provides free blood pressure and sugar check-up for senior citizens at their residences. Keeping in mind its image of a

health chain that promotes complete wellbeing, the retail chain has entered into cross promotional tie-ups with channel partners such as Vibes, Lawrence & Mayo, Jawed Habib, Himalaya, Naturoveda, Trendz, Richfeel, Soumen's Workout, Serum and AMRI clinic. It also has 24-hour clinics at selected locations to meet emergencies.

Other than offering value-added services, the company is also trying to make a difference to its services by fusing technology in all its operations. "The company uses tailor-made software to ensure a smooth billing process and to continuously track the shopper database. These things make a huge difference in operating the stores and our customers deserve it," says Ghosh. While the chain's e-tailing format has not yet taken off, Frank Ross does offer the order-on-phone service. However, to keep the transaction transparent and error-free, "the customer has to give us the copy of the prescription at the delivery," informs Ghosh.

**MAINTAINING LEADERSHIP**

"We don't believe in the numbers game. Before opening any store, we study various aspects such as location, residents etc. We want to create a value chain, that is why we have taken a slow and steady approach," says Ghosh.

The retail chain already has a network of 27 standalone pharmacies and three in-house hospital pharmacies. "We plan to open 13 more by the end of May 2009; the projection is to have 100 pharmacies by the end of 2011," says Harshvardhan Agarwal.

Acknowledging the complexities associated with the domestic pharmacy retail market, Emami Frank Ross is only expanding through company-owned stores. "Healthcare deals with life and there is a lot of responsibility for any player in this field. This sector cannot be rushed into; one has to be careful about quality control systems. Thus, we don't have the franchise model in mind. The healthcare sector is very sensitive. The franchising model can generate some short-term benefits but in the long run it creates complexities for the brand," he adds.

As per the strategy, the company is now looking at phase wise expansion starting from West Bengal, the eastern region followed by the rest of the country. "We already have a strong foothold in Kolkata, so the next step is other West Bengal areas. Then our focus would be on the rest of the eastern region. We have already invested Rs.10 crore over the last two years and plan to invest another Rs.30-40 crore in the next two years," says Agarwal.

Agarwal points out that while pharmacy retail offers tremendous potential, it cannot be viewed with the vision of making profit; there has to be a balance between commercial interest and social responsibility. Agarwal's philosophy is echoed by R K Jatia, managing director, Emami Frank Ross Ltd., who says, "Many pharmacies have come to West Bengal and more are planning to come. But it will be the race for the survival of the fittest. We are confident of making the cut." ❌

**CONSUMPTION PATTERN AT DIFFERENT RETAIL FORMATS**

Product category	Hospital pharmacies	Standalone Pharmacies
Medicines	36%	80%
Surgical equipment	13%	3%
Cosmetics	1%	4%
Ayurvedic	min	min

