



PRICE IS WHAT YOU PAY, VALUE IS WHAT YOU GET

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Customers (happily) pay for value. There is a correlation between developing a unique value proposition in your pharmacy services and establishing a sustainable business model.

While value-adding health solutions, such as pharmacy-based professional services, can enhance existing pharmacy services, to be maintained long term they must also be financially feasible. Adequate compensation for these services is essential. One continuing challenge for the profession is wider recognition of pharmacies as providers of direct patient care.

One of the most powerful ways to recognise the value of pharmacy-based health solution services is through direct payment for services by “first-party payers”. This means that the consumer (or some other entity) has paid for the direct cost of the service plus the perceived value of that service.

There are two simple ways to price your professional services:

Use cost-plus pricing:

Simply take the cost of producing your service and add the amount you need to make a profit (usually a percentage). Generally this is not a suitable route to take with value-added health solution services, because it's largely suited more for businesses that deal in volumes (so costs can be depressed) or in markets that are dominated by price competition. This approach ignores aspects such as market positioning and what customers are willing to pay for the value they receive. And because it's based on your time as a professional (a finite resource), you will not find it easy to scale, effectively creating a needless income cap for your business. If this is your approach now, look to shed it in favour of value-based pricing.



HOW TO DETERMINE VALUE — THE VALUE PROPOSITION CANVAS¹

The *Value Proposition Canvas* is a tool that can help you understand your customers through a *Customer Profile* and describe how you intend to create value for that customer through a *Value Map*. You achieve *Fit* when the value you create matches the customer's profile.

HOW IT WORKS

The Customer Profile is made up of Customer Jobs, Customer Pains and Customer Gains.

Customer Jobs describe the things your customers are trying to get done in their work or in their life. A customer job could be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy. Ask yourself:

1. Are there problems that you think customers have that they may not even be aware of?
2. How does your customer want to be perceived by others? What can your customer do to help themselves be perceived this way?
3. How does your customer want to feel? What does your customer need to do to feel this way?

Customer Pains describe anything that annoys your customers before, during, and after trying to get a job done or simply prevents them from getting a job done. Pains also describe risks, that is, potential bad outcomes, related to getting a job done badly or not at all. Ask yourself:

- How do your customers define too costly? Takes a lot of time, costs too much money, or requires substantial efforts?
- What makes your customers feel bad? What are their frustrations, annoyances, or things that give them a headache?
- What common mistakes do your customers make? Are they using a solution the wrong way?

Customer Gains describe the outcomes and benefits your customers want. Some gains are required, expected, or desired by customers, and some would surprise them. Gains include functional utility, social gains, positive emotions, and cost savings. Ask yourself:

- Which savings would make your customers happy? Which savings in terms of time, money, and effort would they value?
- What quality levels do they expect, and what would they wish for more or less of?
- How do current value propositions delight your customers? Which specific features do they enjoy? What performance and quality do they expect?

Use value-based pricing:

If you have clearly defined benefits providing you with an advantage over competitors (as a result of your thorough market and demographic analysis) you can charge what your customers perceive to be the value of your service.

So when you go about pricing your services, while it is advisable to consider your costs (e.g. your time, your materials, your overheads), avoid the temptation to set your prices by simply adding a percentage to your costs.

¹ Strategyzer.com

‘Your relationship with the customer, not the customer’s relationship with your product, is the conduit through which real value flows.’

Bill Quiseng

When you understand your customer you can then create a value map for them showing the products and services you offer and how they can relieve their pains or help achieve their gains.

Your products and services are simply a list of what you offer. Think of it as all the items your customers can see in your metaphoric shop window.

Pain Relievers describe how exactly your products and services alleviate specific customer pains. They explicitly outline how you intend to eliminate or reduce some of the things that annoy your customers before, during, or after they are trying to complete a job or that prevent them from doing so. Could your products and services:

- Produce savings in terms of time, money, or efforts?
- Make your customers feel better by killing frustrations, annoyances, and other things that give customers a headache?
- Limit or eradicate common mistakes customers make by helping them use a solution the right way?

Gain Creators describe how your products and services create customer gains. They explicitly outline how you intend to produce outcomes and benefits that your customer expects, desires, or would be surprised by, including functional utility, social gains, positive emotions, and cost savings. Could your products or services:

- Create savings that please your customers? In terms of time, money, and effort.
- Produce outcomes your customers expect or that exceed their expectations by offering quality levels, more of something, or less of something?
- Make your customers’ work or life easier via better usability, accessibility, more services, or lower cost of ownership?

You identify a strong *Value Proposition* and achieve *Fit* when customers get excited about your offerings, which happens when you address important jobs, alleviate extreme pains, and create essential gains. *Fit* is hard to find and maintain, but striving for *Fit* is the essence of value proposition design.

Customers expect and desire a lot from products and services, yet they also know they can’t have it all. Focus on those gains and pains that matter most to customers.

You should review the products and services on your value map.

- Are there any that do not directly relieve pains or create gains?
- Are these superfluous to your value proposition or if they do not directly address your customer’s profile they may not be creating value; can they be changed to create customer value?

Customers happily pay for value...but sometimes they need to be educated about the value they receive. ■