



The Pharmacy
Guild of Australia



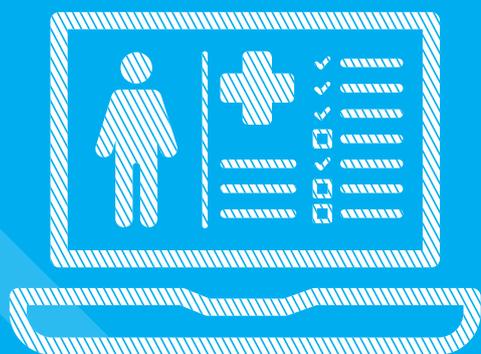
Guild Digest

2018

**A SURVEY OF INDEPENDENT
PHARMACY OPERATIONS IN AUSTRALIA**

FINANCIAL YEAR 2016-17

EXECUTIVE SUMMARY





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INTRODUCTION TO GUILD DIGEST

This year marks the 46th edition of the Guild Digest. The 2018 Digest presents a snapshot of pharmacy operations in Australia for the financial year 2016-17. Community pharmacy plays a pivotal role in providing primary healthcare and delivers a wide range of services including dispensing prescriptions; distributing pharmacy-only and pharmacist-only medicines and over-the-counter products; medication management; advice on minor ailments; and preventive care services.

The analyses contained in the *2018 Digest* are based largely on the sample of 397 community pharmacies.

COMMUNITY PHARMACY INDUSTRY SNAPSHOT 2016-2017

The Australian community pharmacy industry is an \$18.9 billion health sector which comprises around 5,665 community pharmacies as of June 2017. It directly employs around 87,000 highly skilled staff (including proprietors). The average revenue per pharmacy is \$3.34 million and almost 71% of revenue is derived from the sale of prescription medicines. The other 29% includes pharmacy professional services, pharmacy-only and pharmacist-only medicines and over-the-counter products. The gross margin (sales less cost of goods sold) is \$1.11 million for the average pharmacy and average annual net profit equates to nearly \$101,000.

Rural pharmacies represent 16% of the total of 5,665 community pharmacies and there is one pharmacy for every 4,341 Australians. The accessibility of community pharmacy is a strong factor underpinning the high regard in which community pharmacy is held. On average, each community pharmacy is open 64.9 hours a week, and is open for an average of 9 hours a day during the week.

Average Pharmacy	Industry
\$100,756 Net Profit/Loss	\$570.8 m Net Profit/Loss
\$1.11 m Gross Margin	\$6.30 b Gross Margin
\$3.34 m Revenue	\$18.9 b Revenue
59,747 Prescriptions	338 m Prescriptions

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INDUSTRY TREND – LAST DECADE (2007 -2017)

This section of the *Digest* includes the key industry trends and performance of community pharmacy covering more than a decade (Table 1). This is particularly important in highlighting the evolution of the industry over time.

There have been ongoing changes in the operating landscape of pharmacies, particularly over the past 10 years due to growing regulatory and competitive pressure from internal and external forces. The community pharmacy landscape has evolved from small, independent pharmacies to more sophisticated banner groups operating in a more competitive environment.

Industry sales have grown at 1.94% compounded annual growth rate (CAGR) over the past 10 years, with growth in the two most recent years reversing the trend of declining sales from 2012 to 2015. Historically, pharmacy sales were growing at the rate of 4.11% (CAGR) from 2005-2010, significantly higher compared to the 2.02% growth rate of 2010 to 2017. This reduction in revenue post-2010 is attributed to the dampening effect of Pharmaceutical Benefits Scheme (PBS) reforms introduced by the Government as a cost-saving measure, with the subsequent increase post 2015-16 in part due to the addition of high cost (but low margin) hepatitis C drugs on the PBS.

Figure 1: Total Sales and Gross Margin

■ Sales ■ Gross Margin

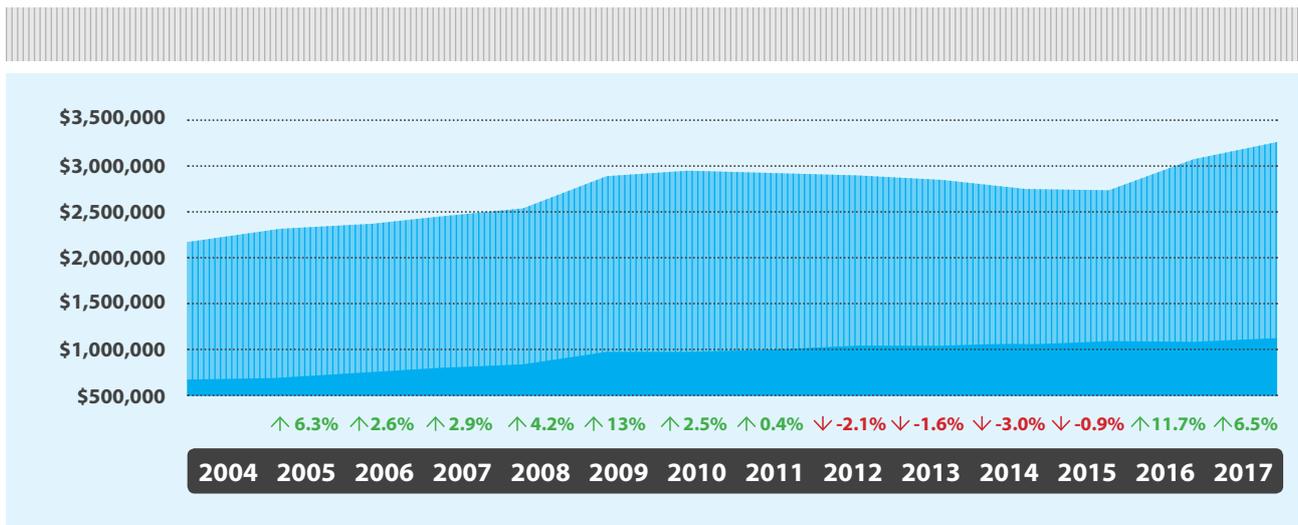


Figure 2: Net Profit/loss

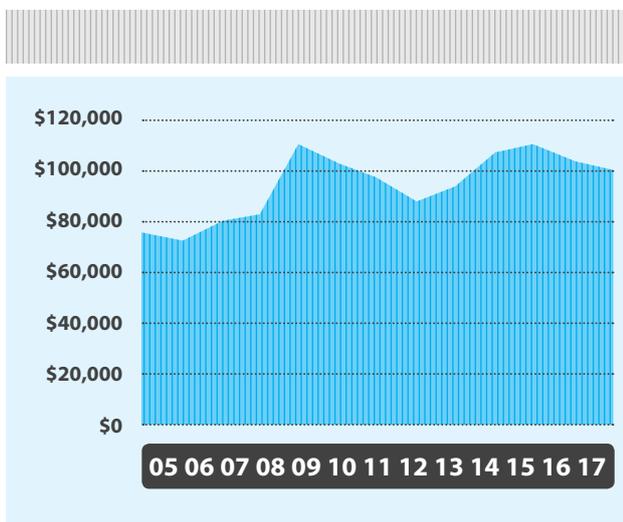
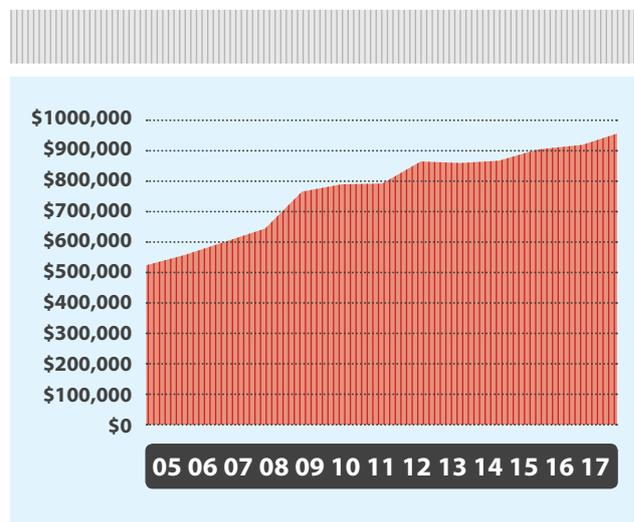


Figure 3: Expenses



KEY PERFORMANCE COMPARISON OF 2015-16 WITH 2016-17

Pharmacies are operating on a very small margin with an average pharmacy net profit of \$100,756. The industry has seen 2.09% annual growth rate (CAGR) over the past 10 years for net profit as compared to rising expenses of 4.32% (CAGR) per annum, exerting downward pressure on the viability of the industry.

There is a potential threat to pharmacy viability due to declining net profit as a result of Pharmaceutical Benefit Scheme reforms, increases in expenses and price competition initiated by the continued rise of discount pharmacies.

This section of the Digest includes a comparison of performance for pharmacies which have responded in two consecutive years, highlighting movements in key indicators from one year to the next. (Table 3)

The 2016-17 figures show a minor increase in overall sales by 0.89% with gross margin rising by 7.21%.

Salaries and wages for the comparative sample decreased by 4.3% while rents increased by 7.2%. Total expenses decreased by 0.7% in dollar terms and remained static as a percentage of revenue, at 31.3% in 2016-17. Gross margin plus other income increased by 9.51% compared to the previous year.

Figure 4: Key Performance Indicators Comparison

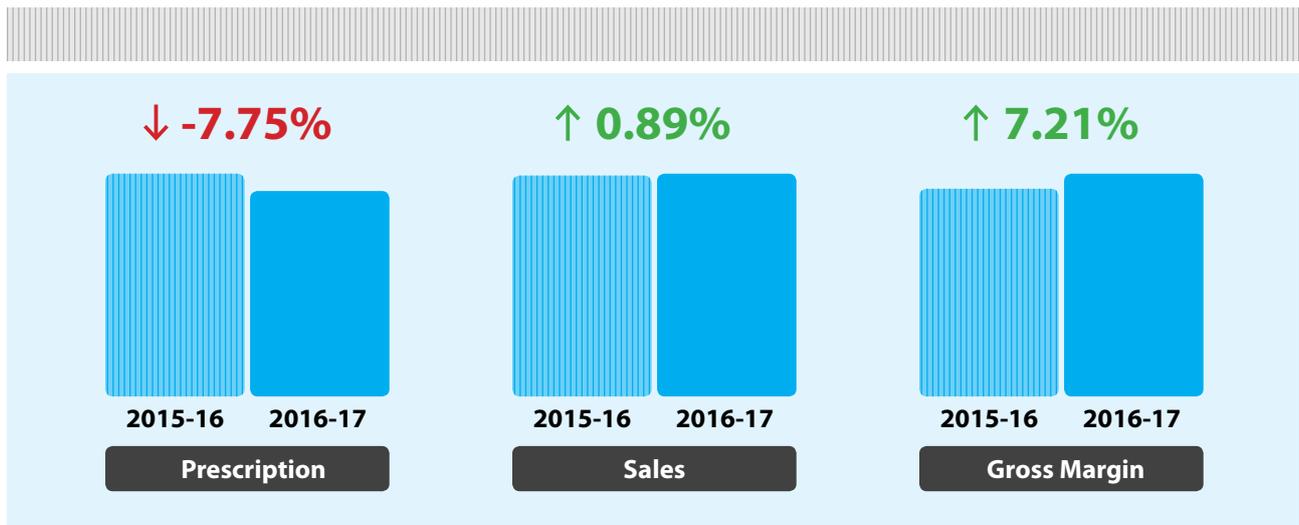
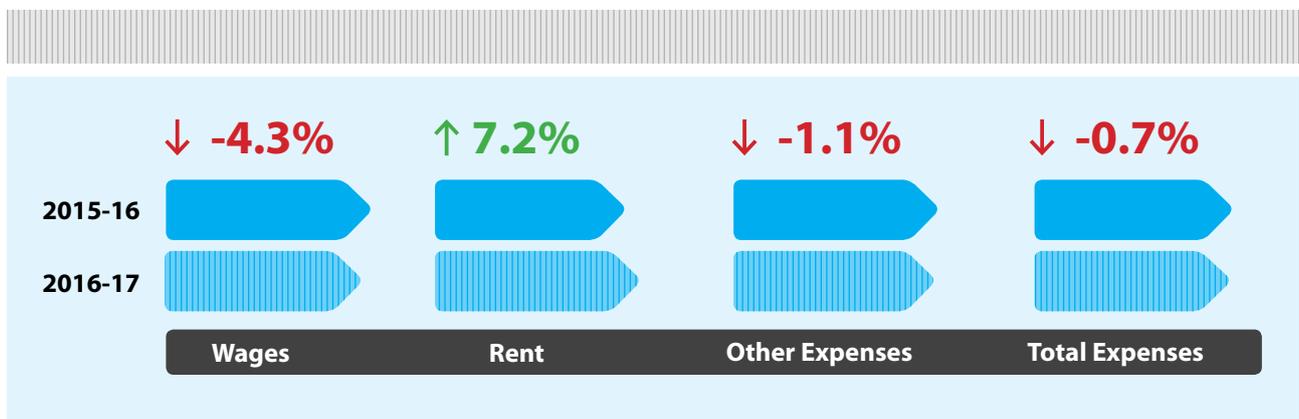


Figure 5: Change in Expenses



Note: The expenses is a downward metric, lower expense is better



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