

*Guest editorial***Pharmacy Wholesalers Bay of Plenty Ltd**

During the 1970s a number of co-operative pharmaceutical wholesalers were formed with Pharmacy Wholesalers Bay of Plenty Ltd starting trade in 1978.

Initially there were only 20 chemist members who formed the Company and they were all Bay of Plenty based. Start up was with very little capital and was helped by a public medical supply company which had a branch in Tauranga, selling its stock, fixtures and fittings at a very good price with a favourable payback period.

Pharmaceutical co-operatives were starting up all over the country and existing pharmaceutical wholesalers were not competitive, hence the decision to sell-out assets.

Turnover and membership quickly grew and within ten years turnover was \$15 million p.a. Computerisation in the early eighties enabled the Company to grow with added efficiency and reduced staff costs. Pharmacy Wholesalers Bay of Plenty Ltd and other co-operatives in the pharmaceutical wholesaling industry flourished during the seventies and eighties and had approximately 75% of the market.

In the early nineties margins on funded pharmaceuticals were reduced progressively by the government of the day from 20% to 10% mark-up on cost. With these products making up 75% to 80% of wholesalers turnover, the impact on profitability was significant. Many private, public and co-operative pharmaceutical wholesalers did not handle this change, consequently there were many closures, mergers and takeovers with three regional co-operatives and two public companies remaining today.

The companies that did not survive either had too high a debt loading, their costs were too high or they could not adjust to the new low-margin environment. To compound the problem Pharmac, the government drug buying agency, over the next 12 years reduced pharmaceutical prices by approximately 60%. So, to do the same turnover wholesalers needed to have significantly more volume.

Pharmacy Wholesalers Bay of Plenty Ltd weathered the storm, entering into this period with no debt and having the lowest

costs in the industry. Strong growth during this period which was driven by service plus industry leading discounts and year-end rebate, made membership a very attractive proposition for pharmacy.

As a company Pharmacy Wholesalers Bay of Plenty Ltd has followed the 'KISS' principle, 'Keep It Simple, Stupid'. We have stuck to our knitting which is wholesaling to pharmacy and have not got involved in manufacturing or branched into non core activities.

Costs have been tightly controlled and this combined with steady growth and excellent support from members has enabled members to reap the benefits in the form of excellent discounts and year-end rebate. Turnover is presently \$121 million p.a. with 154 members.

Staff have played a very important part in this success of the Company. Senior staff are typically long servers and have many years of pharmaceutical wholesaling experience with two having been with the Company since its inception in 1978. A number of others have in excess of 20 years service and experience.

One of the challenges of management and Directors is to foster the co-operative spirit with members. The Company several years ago joined the NZ Co-operatives Association with management and Directors attending a number of seminars which have been informative and helpful in this area. The Board and management have also increased marketing exposure on the benefits to members of their co-operative along with the benefits of co-operatives in general. This was one area where we felt we were deficient and hopefully our efforts will bear fruit.

We are confident that the future for Pharmacy Wholesalers Bay of Plenty Ltd will be as successful as the past and we are striving to continue to be leaders in the industry in service and competitive terms of trade.



*Michael Sandlant,
Chairman,
Pharmacy
Wholesalers Bay
of Plenty Ltd*

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