

E INDEPENDENT PHARMACY QUESTIONNAIRE

The sample

- E.1 The intention of this consultation exercise was to gather information from small pharmacy businesses operating out of a single or limited number of outlets, up to but not more than ten. The questionnaire was posted on the OFT web site between November 2001 and February 2002. A total of around 200 replies were received.
- E.2 With the limited sample size, any form of regional or sub-national analysis is not possible, but using postcode information simple checks were made to see if the data appeared representative. Excluding a few cases where the postcode was unknown or untraceable, 153 (82 per cent) returns came from England, 27 from Scotland (14 per cent), five (2.5 per cent) from Wales and three (1.5 per cent) from Northern Ireland. These results were considered suitably representative, albeit with a minor degree of over representation from Scotland, and a degree of under representation from Wales and Northern Ireland.
- E.3 Approximately half of all returns were made by independent pharmacies that were trading members of Nuicare plc. Nuicare provides marketing and support services for 1200 independent pharmacists throughout the United Kingdom, and is a co-operative with over 40 per cent of its trading members holding shares in the company. Nuicare's members are located in the heart of local communities and represent 10 per cent of the total UK pharmacy market. Nuicare estimate that they deal with half a million consumers a day and dispense over five million prescriptions a month.
- E.4 Not all respondents completed all parts of the questionnaire. As a consequence, some of the results are based on somewhat fewer than 200 observations. Therefore, for clarity the number of observations in the relevant analysis is usually included in tables.
- E.5 In a small number of cases where a return raised a particular issue of interest, the respondent was telephoned directly and asked to explain or add to the views already expressed. Such instances are described in detail below.

Basic business characteristics

- E.6 Where answers were provided, 74 per cent of respondents indicated they operated as an independent single outlet, with a further 22 per cent replying on behalf of small chains between two and five outlets. Just six replies

representing three per cent of the total were submitted on behalf of larger chains.

E.7 The most common trading status of the pharmacy was that of sole trader making up 45 per cent of the sample, closely followed by limited companies 40 per cent, with partnerships making up the remaining 15 per cent. Results are summarised below.

TABLE E.1: BASIC BUSINESS CHARACTERISTICS OF THE SAMPLE

Type of outlet	No.	%	Trading status	No.	%
Independent single outlet	143	74%	Limited company	79	40%
Independent group with 2 –5 outlets	43	22%	Partnership	29	15%
Independent group with >5 outlets	6	3%	Sole trader	88	45%
All ¹	192	100%	All	196	100%

¹ The percentages may not add up to 100 due to rounding.

E.8 In cases where the respondent indicated that the pharmacy was not a single independent outlet, the exact number of pharmacies in the group was not always reported – only in some 17 cases out of the 49 possible. Where exact data were provided the size of the chain ranged from two to ten with an average size of four.

E.9 Exact estimates of total business turnover were not requested, but respondents were asked to give a general indication by ticking one of three size bands. The commonest band proved to be turnover between £400,000 and £1,000,000 per annum, comprising 72 per cent of answers given, although 16 per cent fell below this and a further 12 per cent above.

TABLE E.2: ANNUAL TURNOVER

Annual total turnover	No. of pharmacies	Percent
Under £400 thousand	29	16%
Over £400 thousand but under £1 million	134	72%
Over £1 million	23	12%
Not stated	14	
All	200	

- E.10 For many pharmacies NHS prescription business made up a large proportion of total turnover, some indicating that it was either 100 per cent or very close to 100 per cent of their total turnover. Overall the average was just under 80 per cent, and this did not vary greatly by overall turnover.
- E.11 At the extremes, the highest and lowest values given seemed implausible, and the respondents were telephoned to discuss their returns. In the event, the figures proved to be correctly reported and recorded. The upper figure of 100 per cent was provided by a pharmacy within a health centre and was correct to the nearest one per cent, while the lowest figure of 25 per cent was also correct, provided by a pharmacy that had established substantial volumes of sales for other retail products.

TABLE E.3: ESTIMATED NHS RECEIPTS IN THE LAST YEAR: BY TURNOVER

Annual total turnover ¹	NHS receipts £000s			
	Mean	Standard Error of Mean	Min	Max
Under £400 thousand	278	10	195	360
Over £400 thousand but under £1 million	471	13	190	860
Over £1 million	982	90	342	2,300
All	513	22	190	2,300

¹ Annual total turnover includes both NHS receipts and other turnover

TABLE E.4: PERCENTAGE OF TOTAL RECEIPTS ACCOUNTED FOR BY NHS RECEIPTS: BY TURNOVER

Annual total turnover	Percentage			
	Mean	Standard Error of Mean	Min	Max
Under £400 thousand	80	2	63	98
Over £400 thousand but under £1 million	78	1	25	98
Over £1 million	79	4	40	100
All	78	1	25	100

E.12 The smallest pharmacies in this survey provided data indicating that in the most recent year for which results were available they dealt with around 18,000 prescriptions, corresponding to NHS receipts at something under £200,000. Note that no pharmacy in the main survey reported that they were part of the ESPS

TABLE E.5: PRESCRIPTIONS DISPENSED PER YEAR: BY TURNOVER

Annual total turnover	Prescriptions (000s)			
	Mean	Standard Error of Mean	Min	Max
Under £400 thousand	27.6	1.3	18.0	42.0
Over £400 thousand but under £1 million	46.9	1.6	18.0	120.0
Over £1million	93.2	9.5	30.0	225.0
All	50.2	2.2	18.0	225.0

Opinions expressed on the benefits of entry control regulations

E.13 The pharmacies in the sample were almost unanimous in the view that the existing control regulations yielded tangible benefits to consumers and patients and that at least some of those benefits would disappear if the entry control regulations were to be relaxed. The answers provided a minor degree of inconsistency since a few respondents who did not think the regulations yielded benefits also felt benefits would be lost if they were relaxed. Nevertheless, that the existing regulations provided benefits was clearly a generally consistent and strongly held view.

TABLE E.6: VIEWS ON THE BENEFITS OF EXISTING REGULATIONS

Would any of these benefits disappear if the entry control regime were to be relaxed?	Do the existing entry control regulations yield tangible benefits to consumers and patients?			
	Yes	No	All	%
Yes	180	8	188	<i>94</i>
No	4	7	11	<i>6</i>
All	184	15	199	<i>100</i>
%	<i>92</i>	<i>8</i>	<i>100</i>	

E.14 Respondents were asked to provide their views on the main advantages of the existing entry control regulations to both themselves and to their local community, and 167 provided such commentary. A number of common themes were found in the answers, and although there was some variation in the exact form of words chosen, the ideas expressed were very similar. These themes were codified for easier analysis, and the results of the analysis are presented below. Note that it was permissible for the respondent to describe a number of advantages, so that the total number of views expressed is not limited to the 167 who expressed views.

TABLE E.7: ADVANTAGES OF EXISTING ENTRY CONTROL REGULATIONS

Category label	Count mentioning this	Percentage of respondents
Security and confidence to invest	69	<i>41</i>
Improves services	68	<i>41</i>
Ensures a good distribution of pharmacies	53	<i>32</i>
Safeguards small essential pharmacies	45	<i>27</i>
Pharmacist gets to know individuals	18	<i>11</i>
Prevents duplication of services	2	<i>1</i>

E.15 In addition to the above, a number of less common ideas and views were given. These do not lend themselves to analysis by the methods used above, and selections of the views are presented below. Some respondents wrote at

length and while their views have been carefully noted, such opinions cannot be reproduced in full here. Most emphasised the perceived benefits of the system, though candidly, several comments implied that it provided protection from competition.

- 'Time committed to service of customers can free up GP time.'
- 'Independents provide additional services to the elderly, disabled, etc.'
- 'If there is a proven need, a new pharmacy can open.'
- 'It prevents leapfrogging which may help the pharmacy involved but not the community.'

Note: Leapfrogging describes the process by which a pharmacy opens or relocates closer to a doctor's surgery than an existing pharmacy, thereby jumping over or 'leapfrogging' the existing pharmacy. This issue is discussed more fully in chapter 5 of the main report.

- 'I fund free collection and delivery services for repeat prescriptions and oxygen.'
- 'Offer services such as free advice and delivery.'
- 'More pharmacies would lead to under staffing.'
- 'Brings pharmaceutical care to all areas and not just to certain sites.'
- 'Engage in new roles such as patient medication review.'
- 'Wide choice for consumer, sufficient competition without cut throat opportunism'
- ' Security of no competition.'
- 'Professional services are insulated against commercial competition.'
- 'Protects pharmacies from competition which would close them down.'

E.16 The purpose of this section is not to comment on the validity, or otherwise, of these views, only to identify, quantify and record the range of opinions.

Awareness of areas where the provision of pharmacies is inadequate

E.17 Almost exactly 25 per cent of respondents (51 out of 200) reported being aware of an area where the provision of pharmacy services was inadequate to meet the needs of the local community.

E.18 Opinions on how this situation could be best improved were dominated by two views in particular, either by a suitably sited additional pharmacy or by additional services by existing pharmacies. Only a few pharmacists mentioned other solutions.

TABLE E.8: AREAS WHERE THE PROVISION OF PHARMACY SERVICES IS INADEQUATE: SUGGESTED SOLUTIONS

Suggested solution	Number	Percentage
Additional services by existing pharmacy	23	45%
Suitably sited additional pharmacy	16	31%
Suitably sited additional subsidised pharmacy	1	2%
Support for small village pharmacies	1	2%
More dispensing doctors	1	2%
All other approaches	6	12%
None stated	3	6%

E.19 A small number of pharmacists who did not have any personal awareness of problem areas also suggested solutions. Some 10 out of 17 said that the problem was best tackled by additional services by existing pharmacies. The remaining replies were varied and rather particular in nature as the following examples (using the respondents' own words) show.

- 'Mobile pharmacy facilities.'
- 'Reduce crime rate which is preventing new pharmacy opening in a good location.'
- 'More support for essential small pharmacy scheme.'
- 'More funding from government.'

Experience of new pharmacy entry

E.20 A total of 33 pharmacies - slightly more than 15 per cent - reported that they had experience of a new pharmacy opening in their area, although only 20 described how they had responded. Responses were rather mixed, with some choosing to compete by increasing services while others chose to cut back on staff and stock. One pharmacy reported the possibility of closure without any indication of how the business had responded.

TABLE E.9: NEW PHARMACY OPENING: RESPONSES

Response	Number
Continued good service as at present	1
Cut staff	4
Increase in services	7
Reduction in services	2
Lower stock holding	3
Try to sell/relocate	1
Other	2
All	20

E.21 As the issue of exits from the market is of some importance, the respondent who mentioned closure was telephoned. In the event, the option of closure would only have been taken after exploring other business options, including attempting to compete on services and possible relocation. The respondent in question owned other businesses and in the last resort could concentrate on them.

E.22 More generally, all respondents were asked a hypothetical question about how they would respond to the presence of a new competitor and some 164 provided details of one or more ways in which they thought they would respond.

TABLE E.11: NEW PHARMACY OPENING: POTENTIAL RESPONSES

Response	Number of times mentioned	Percentage of times mentioned
Closure	88	44
Try to sell / relocate	29	15
Reduction in services	30	15
Cut staff	21	11
Lower stock holding	5	3
Increase in services/advertising	46	23
Price cuts	1	1
No price change – little or no profits as it is.	24	12
Other	2	1

E.23 The most common response was to suggest likely closure of their existing business, indicated in nearly 44 per cent of cases. A further 15 per cent indicated that they would attempt to sell or relocate. Bearing in mind that the answers are not necessarily mutually exclusive, some 56 comments suggested a cut back in either staff, services or stock holding levels, slightly exceeding the 46 instances of increases in services or advertising. More than 10 per cent of responses indicated that they would be unlikely to change prices – and used words to indicate that they were making little or no profit on their non prescription sales.

Experience of contesting new pharmacy application

E.24 Nearly 60 per cent (119 cases) of pharmacies reported that at some time or other they had contested an application to the health authority for a new pharmacy, and from the written descriptions provided some had contested more than one application. Almost without exception the grounds for the objection amounted to a claim that it was not necessary or desirable and frequently suggesting that it would represent duplication of services.

E.25 Under the control of entry regulations, any pharmacy in the UK wishing to obtain a NHS contract to dispense NHS prescriptions must satisfy the relevant authority that it is either 'necessary' or 'desirable' to grant the application in order to secure the adequate provision of pharmaceutical services in a particular neighbourhood. Further discussion of the control of entry relevant regulations and the can be found in Chapter 3 and Annex A.

E.26 Specific outcomes were not always clear, since some respondents submitted comments such as 'nearly always win', and 'win more often than not'. One respondent reported a total of 19 applications denied since 1997. Where the comments appear to refer to only one case, however, and excluding cases that were still in process, only a very few had resulted in a new licence. Of some 82 reported only 10 had been successful, although in one further case permission was granted but lapsed without a new pharmacy opening, and one non-dispensing pharmacy had opened without an NHS contract. Several of the comments noted that applications could be made repeatedly and they saw the process of appealing as a continuous and costly burden on their business.

Catchment areas and the location of successful pharmacies

E.27 Respondents were asked, 'roughly how large is the catchment area for your pharmacy'? The results proved somewhat complex to analyse as respondents used a variety of measures to define this, including variously population, area, and the number of other pharmacies, and sometimes GPs in their locality. Some estimated the percentage of prescriptions brought in by customers living within

some reasonable radius, of perhaps half or one mile. The results therefore do not lend themselves to any formal analysis, but as an illustration, the following examples are given to indicate the range of views.

TABLE 7.1: HOW LARGE IS THE CATCHMENT ARE FOR YOUR MAIN PHARMACY?

Examples of definitions based on distance

< 1 mile radius, defined by location of other pharmacies
 0.5 mile radius, town location.
 1 km radius.
 1 mile radius, that overlaps with other pharmacies

Examples of definitions based on population

10,000 population, defined by geography, pharmacies
 14,000 population of entire town
 18000 - lots rural

Examples of definitions combining distance and population

2 mile radius, 6000 population.
 2 mile radius, village location.

Examples of definitions based on population

20,000 people shared with 3 other pharmacies
 25,000 people, 7 dispersed pharmacies.
 30,000 population, town location.

Examples based on local competition

3 pharmacies covering large catchment area.
 4 pharmacies in area

Examples of other miscellaneous definitions

In health centre - whole town
 Next to surgery.
 Out of town council estate.
 Small Village, Farming Community, + Wider village

E.28 Respondents were asked to give their views on the main factors governing the **location** of a successful pharmacy. It should be noted that the factors listed below are drawn from those provided by respondents – and therefore may not be entirely independent. Good close parking may well assist ease of access, though clearly the latter may depend on other features like bus routes, location, etc. Some respondents interpreted the question broadly, and a few provided views on factors that while certainly having a bearing on the success of a pharmacy were not strictly concerned with location. These included the quality

of professional advice, the ability to retain staff and the level of NHS turnover, though these results are not tabulated.

TABLE E.12: FACTORS GOVERNING THE LOCATION OF A SUCCESSFUL PHARMACY

Factors mentioned	Count	% of pharmacies
Proximity to GP	157	79%
Ease of access	68	34%
Close to other main services	52	26%
High footfall ¹	48	24%
Size of catchment	30	15%
Number of pharmacies near versus need	16	8%
Good close parking.	1	1%
No proximity to another pharmacy	1	1%
Numerous residents	1	1%
All	374	

¹ High footfall - a term used by some respondents and interpreted to mean a high number of passers-by and spontaneous entrants to the pharmacy.

E.29 Apart from the fact that high footfall may not be an issue purely of location, but reflect a variety of factors these are fairly natural responses. The importance of being close to a GP is obviously a very strongly held view, receiving more than twice as many mentions as the next most popular factor.

Views on existing regulations and concluding comments

E.30 Though not all respondents offered views on this topic, where they did so a very large majority were in favour of maintaining the regulations in their current form. Only two per cent suggested that they should be abolished entirely, but some 20 per cent felt that they should be partially modified.

TABLE E.13: VIEWS ON THE FUTURE OF EXISTING REGULATIONS

	Number	Percentage
Maintained in present form	145	78%
Partially modified	38	20%
Abolished	4	2%

E.31 Only those in favour of partially modifying the regulations were asked to comment further on this question. The comments proved somewhat mixed, and some commentary mentioned several issues. Issues where five or more comments along similar lines were expressed included

- better regulations concerning relocation
- that it should be made easier to open in small towns
- new or clearer definitions should be introduced.

E.32 Issues mentioned less frequently than the above, but more than once included

- allowing more competition in town centres and out of town shopping centres
- discontent with arrangements for dispensing doctors
- more rational distribution of pharmacies, perhaps on population, or fixed minimum distances between pharmacies, GPs etc

E.33 All respondents were given the opportunity to comment further and give any further views or comments they wished to add. As explained in earlier parts of this report, some respondents wrote at length and while their views have carefully noted, their opinions cannot be reproduced in full here. Where themes and ideas emerged that proved common to a number of responses, these have been presented in precise form below.

- The amount of turnover and profit that derives from NHS business is such a high proportion of the total, that OTC and other sales cannot provide enough profit to keep a pharmacy viable if prescription numbers fall. Small pharmacies have only a tiny part of the market for health and beauty products, competition here cannot be an issue.
- Large multiples and supermarkets will not open in small villages, accessibility for elderly and infirm could be severely diminished if regulation were removed. Deregulation will almost certainly cause aggregation of pharmacies in most viable locations harming rural and remote areas
- Large multiples and supermarkets are unlikely to continue providing any services that are not profitable – but delivery services and other forms of community support are widely provided by community pharmacies.
- An environment in which unregulated entry makes long term viability uncertain will curtail investment. This will undermine any scope for pharmacies to play an increased role in future health care provision.
- There are no restrictions on opening a pharmacy in the UK, it is only the contract to dispense NHS prescriptions which is restricted. NHS pharmacy services should be remunerated in a way similar to GPs, and should stop being treated as glorified shopkeepers or underpaid professionals. A

prescription is not a retail transaction or sale to public in the normal sense and therefore should not be the concern of the OFT.

- There is an anomaly in the current system that seems to allow dispensing doctors an unfair advantage. This should be reviewed.

Opening hours, and other issues

E.34 Weekday opening times proved highly consistent and for almost all pharmacies the pattern of opening hours did not vary between any days of the week from Monday to Friday. Opening hours on Saturdays often had a different pattern, frequently closing a little earlier than in the week.

TABLE E.11: PHARMACY OPENING HOURS: MONDAY TO FRIDAY

		Closing											
		5.30	5.40	5.45	6.00	6.15	6.30	6.45	7.00	7.30	8.00	9.00	
		pm	pm	pm	pm	pm	pm	pm	pm	pm	pm	pm	all
Opening													
8	00 am				1								1
8	15 am					1							1
8	30 am	4		1	7	2	1		1				16
8	45 am				8		3		1				12
9	00 am	26	1	1	59	1	37	1	27	1	1	1	156
9	15 am						1						1
10	00 am										1		1
All		30	1	2	75	4	42	1	29	1	2	1	188

E.35 Monday to Friday, the most common duration was to be open for 9 hours, though at the upper limit some pharmacies opened for 12 hours, and at the lower all stayed open for at least 8 and one-half hour.

E.36 On Saturdays, more than half had a pattern of opening hours that could be loosely described as half-day. Opening times were rather similar to those for Monday to Friday, but it was not uncommon to close at or before 1pm. Those that stayed open longer tended to close at 5:00pm or 5:30pm rather than 6:00pm or 6:30pm as was common in the week. Only very limited numbers of respondents provided information on Sundays and Bank Holidays opening patterns and the data are not analysed here.

TABLE E.12: PHARMACY OPENING HOURS: SATURDAY

		Closing								
		11.00	11.30	12.00	12.15	12.30	1.00	1.30	2.00	4.00
		am	am	am	pm	pm	pm	pm	pm	pm
Opening										
8	00 am									
8	15 am									
8	30 am									
8	45 am									
9	00 am	1	1	5		9	53	1	2	5
9	15 am									
9	30 am									
10	00 am									
All		1	1	7	1	10	60	1	5	5

TABLE E.13: continued: PHARMACY OPENING HOURS: SATURDAY

		Closing								
		4.30	5.00	5.30	6.00	6.30	7.00	8.00	9.00	all
		pm	pm	pm	pm	pm	pm	pm	pm	
Opening										
8	00 am									
8	15 am									
8	30 am									
8	45 am									
9	00 am	1	32	25	14	3	4		1	157
9	15 am									
9	30 am									
10	00 am									
All		1	33	29	18	4	5	1	1	183

E.37 In a limited number of cases small chains provided details of turnover and NHS prescriptions in the additional branches within their chain. The data were not inconsistent with the results presented above in section 2, but due to limited numbers have not been analysed separately. Note, however, that four of these additional branches in the chain were pharmacies operating under the ESPS

E.38 While this is too few to allow any in depth analysis of results, the level of prescription business for these four was reported as 14.7, 14.0, 11.7 and 6.1 thousand prescriptions each year. As might be expected, these are below the minimum of 18.0 thousand observed for pharmacies outside the scheme

reported in section 2. For these four businesses NHS turnover ranged between £90 thousand and £170 thousand, with NHS turnover making up between 70 and 80 percent of the total.

- E.39 The OFT attempted to contact the pharmacies in the ESPS by telephone. However, the discussions did not reveal any information that was out of the ordinary or worthy of further comment.