

1. OVERVIEW

Yhteistyöapteekit (YTA) is the largest pharmacy chain in Finland comprising over 120 pharmacies around the country. YTA hired Diagonal to help it to cope with the radical challenges that the Finnish pharmacy industry is facing. The result of the project was a new the *People's Pharmacy* concept that not only provided traditional remedies for illnesses but first and foremost focused on improving the customers' well-being with significantly better customer experience and new desirable health care services. The concept has been radically new in the rather conservative pharmacy business area of Finland as it points the pharmacy chain towards new and more active role in the healthcare ecosystem.

Pharmacies in Finland are traditionally focused on only selling medicine and they very seldom offer any kind of health care or well being services. The pharmacies are currently facing challenges in upholding their traditional business model of selling prescription drugs. The recent governmental regulations have effectively diminished returns of the sales of prescription medicine as customers can now more freely choose between cheap generic drugs and brand name patent-holders. Through the strategic analysis of the markets, Diagonal was able to guide the People's Pharmacy towards providing services and focusing on improving people's well-being as an additional source of revenue and distinguishing itself from its competitors.

Service design was used to develop the business of the People's Pharmacy in a customer-oriented way. Based on understanding of the customers, Diagonal was able to create new ideas, concepts, and complete services that would improve the pharmacy's customer experience, internal efficiency, and profitability. A completely renewed, modern pilot pharmacy with new pharmacist services and product lines, and interior designed by Diagonal was opened in Ympyrätalo, Helsinki center in February 2014.

2. PROCESS

Research

Research in this project was exceptionally extensive. Diagonal started with an intensive design research phase, during which we studied pharmacy customers, the current operating model, and engaged with experts on the future of healthcare. **To gather customer insight** Diagonal conducted in-depth interviews and 'shop-alongs' with customers, visited and observed on 8 occasions several pharmacies across the country and arranged roundtable discussions with professionals ranging from technology experts to philosophers. Besides of the qualitative research, Diagonal also executed a quantitative survey as we created an online customer platform including 175 participants across the country.

In addition, **to gather employee insight** Diagonal performed several interviews with the staff, desktop studies and trend research, and mystery shoppings at both the client pharmacies and competition ones to gain holistic

understanding of the field. The outputs of this phase were an analysis of problems with the current model and customer profiles based on existing and new customer segments. We also identified five healthcare mega trends most likely to affect the field of pharmacy business in the future. To support and guide the service design work, Diagonal and YTA established the key indicators for evaluating success throughout the project: customer satisfaction, profitability and internal efficiency.

Ideation, Concept Design and Testing

During concept design Diagonal generated close to two hundred ideas for improving the business and for building future services. The resulting concept ideas were screened with online participants and live-prototyped in 7 pharmacies for 2 weeks. Diagonal designed and executed an online questionnaire about 7 new pharmacy concepts to which 174 participants responded. Together with the employees, Diagonal team finalized the service model and engaged in discussions about new concepts. A new kind of prescription service model and desk designs were prototyped using full-scale cardboard mockups with the management and employees of the pilot pharmacy. By including the employees during the process, Diagonal made sure that the ownership of the new way of working is internalised instead of being simply handed down. The widely engaging process created a common vision and motivation.

Pharmacies are renowned for good and reliable customer service, but they are very product-oriented. During the project, Diagonal created twelve *TERVE!* health services that were designed to be both attractive and easily approachable. These payable services create new business opportunities and make YTA pharmacies distinctive. All the results of the research and concept design were visualised and thoroughly documented in People's Pharmacy concept manual, which was distributed to all pharmacies and presented in a closed seminar. The end results suggested major revisions in the service model of the client. In order to communicate the changes in an even more concrete way, the People's Pharmacy concept consisted of multiple service scenarios and various different types of ideas that were flexible and easy to adapt in different kind of pharmacy locations across the country.

Piloting

Based on Diagonal's advice and the research, the owner of the pilot pharmacy chose to pursue a new direction for the pilot pharmacy and its market position. The changes included the reformulation of the customer promise, new interior design, a stronger emphasis on environmental sustainability and a radically new and broad service offering.

Following these strategic decisions, Diagonal designed the pilot pharmacy that included an improved customer service model, a fresh new interior concept and productized new wellness and health care services. The pilot pharmacy was opened a year after the beginning of the co-operation with the YTA chain. The pilot pharmacy concretized the new business proposal and customer promise in a tangible and measurable way. In addition to

sustaining the new business model, the pilot pharmacy concept has been recognised by two high-level design awards and an entry in the Finnish Design Yearbook. All in all, it embodies dozens of radical ideas, changing the perception of how a pharmacy should serve its customers.

3. BENEFITS

Design adds value to the service:

- By expanding the product line in addition to the new services of wellbeing, the pilot pharmacy was able to increase customer satisfaction significantly because no longer do the customers need to visit multiple stores when taking care of their health and wellbeing.
- Through the engagement of the customers, Diagonal enabled the pharmacy to respond to the needs and wants of the customers accordingly, and thus improve the quality of the service. Because of the customer profiles and two different check-out counters (normal and unhurried line) the staff can provide more customised service to different types of clients.
- Because of the new interior concept the pharmacy is able to distinguish itself from its competitors. By creating standing prescription counters in the middle of the store, the staff can both assist the client when looking at additional products and deal with purchases; the standing prescription counters supports on selling more products to the customer as it is easy for the pharmacist to move from the counter
- Through analysis of the core competencies of the pharmacy staff Diagonal was able to enhance and expand the services provided by this group of experts
- In general, the overall experience of the customers has been transformed from a banal shopping event into a well-being experience.

Benefits for the customer:

- Easing the customers' pursuit to improve their wellbeing by providing new services and health care guidance.
- Two types of check-out counters (normal and unhurried line) have made transactions in the pharmacy more fluent and client-oriented based on customer needs
- The new services also educate the clientele. For example, the educational events focusing on wellbeing provided in the pilot pharmacy have been sold out every single time.

Benefits for the organization:

- By expanding to also selling services, the pilot pharmacy has increased its revenue
- The pilot pharmacy concept was designed to be easily scalable so it can be used and modified in the other pharmacy locations too.
- Internal efficiency of the pharmacy has increased through the agile prototyping process of development that service design has introduced

- Since the staff of the pilot pharmacy is now able to walk around the store helping and suggesting products for the customers they have been also able to sell more items.
- The new *TERVE!* health services create new business opportunities and make the pilot pharmacy distinctive from its competitors. The owner of the pilot pharmacy has had a significant role in developing, finalizing and implementing the new services
- The new health lounge and the wellbeing bar are services which make the pilot pharmacy an inspirational shopping environment. The space that inspires wellbeing attracts new focus groups and encourages lengthier browsing. The customer has more time to explore the product offering and, consequently, new needs arise.

Impact on the competition market:

- By increasing the customer satisfaction and customer loyalty and by distinguishing itself from the competitors, the pilot pharmacy has thoroughly cleared a significant segment of the markets for itself.
- Because of the extremely extensive insight research, the scalability of the concept design and by being the innovation-leader in providing services, YTA chain can be expected to become the pharmacy market leader in the future.

4. EFFECTS

The client was facing a complex challenge that had the potential of disrupting the industry. They understood that tackling it required more than one intervention. To secure trust and continuation, Diagonal signed a two-year partnership contract that created a focus for the project and a strong basis for collaboration. It was understood from the start that getting the pharmacists on board would be essential for success in the long run. During the project Diagonal collaborated directly with the CEO of the chain and the owner of the pilot pharmacy. Diagonal reported to the management board, and engaged with the pharmacists at seminars and using an online platform. This long-term relationship allowed Diagonal to concentrate on first creating a strategy and then moving on towards implementation.

The central indicators for the project were based on key business drivers: customer satisfaction, profitability and internal efficiency. This kept the focus of the project and supported designers when framing the design space. Now Diagonal was able to identify and rule out ideas which did not contribute towards the established goals. The same indicators were used to adjust our designs after the pilot pharmacy had been running for a few months. In summary, the service design project with Diagonal greatly supports the pharmacy chain to maintain the profit margins while rest of the industry is struggling.

Key effects of the project:

- *Establishing radical renewals and agile practices in the rather conservative field of pharmacies. As a result*

of the service design project, the pilot pharmacy has taken up the implementation of new services that have not been traditionally seen in pharmacies, renewing the role of the pharmacy in the health care ecosystem.

- *Enforcing the role of pharmacies as health care experts.* According to the research conducted by PwC, pharmacy advisories save approximately one billion euros in Finland annually.¹ This eases and aids the public sector significantly helping it to allocate resources for the most urgent and complex care. Thus YTA project has been part of a significant national change.
- *Creating new co-operation models with the public and private health care.* Vaccination coverage by the Finnish government is not extensive. Thus the pilot pharmacy started to provide a nurse service that would enable the customer not only to purchase a vaccination prescription but also have a nurse to perform the vaccination operation right away. The clientele has been excited for this as no longer do they need to visit a local healthcare centre to be vaccinated after purchasing the vaccination. This new service has not only increased the profits of the pharmacy but it has also been perceived positively as the pharmacy can ease the workload of the healthcare centres. If more pharmacies will join the system, the savings for the government as well as the profit for the pharmacies would be substantial. Also, the public would feel that less time is wasted when taking care of their vaccinations.
- *Shifting pharmacies' focus from treating illness to promoting health.* The shift from just providing medicine from the illnesses to taking care of people's wellbeing has been substantial. Not only is the pharmacy chain motivated to prevent critical health conditions but through this project they have invested in making it economically profitable for YTA pharmacies.
- *Providing low-barrier access to health advice.* Because of the cuts by the government, local healthcare centres have been reduced making it hard for many people to receive care. However, there is a large pilot pharmacy now able to provide help for the people when facing lesser medical conditions. Public health care has been co-operating with the pharmacies to design proper operating model when taking care of the people.

Scale of effect from the pilot pharmacy

- 4 out of 5 customers are extremely likely to recommend the new wellbeing services of the pilot pharmacy
- 86 % of the customers of the pilot pharmacy have shopped there more than once (-> customer loyalty)
- 47 % growth in the customer volume between February 2014 and March 2015
- 69 % growth in the number of prescription drugs bought in the pilot pharmacy between February 2014 and April 2015
- The wellbeing service sales has tripled since the opening of the pilot pharmacy

¹ "Apteekkien neuvonnan tuottamat säästöt yhteiskunnalle ja terveydenhuollolle" (eng. Savings for the society and the healthcare providers resulting from the pharmacy work), expert evaluation by PwC 2015