

**OPEN  
(AND THRIVING)**

**7** strategies for  
*invigorating* your  
pharmacy **business**



by Jayne Cannon

The local pharmacy has long been a staple of American life. Catch a classic movie from the '30s or '40s on cable, and you'll often find at least one scene set in a pharmacy – "It's a Wonderful Life," "Love Finds Andy Hardy," "Double Indemnity," and so many more. Drug stores, as they were known back in those days, were familiar to everyone. There was nothing exotic about a pharmacy – every town had at least one.

But unlike some businesses that were woven tightly into the fabric of American life 30, 50, even 70 years ago, pharmacies are still around. The milkman is a foreign concept to most people under 50. Full-service gas stations? You find those only in select locations. A video store? They're only a memory now.

But pharmacies ... well, they've endured, as essential today as they were 50 or 100 years ago. From time to time, you hear about closings, and the cycle of stories on the decline and death of pharmacies begins.

To be sure, times have changed, and so has the pharmacy business. Yes, pharmacies close. But while underwater reimbursements and complex regulation continue to exact a price, those factors are not the whole story.

The truth is, community pharmacies close for reasons as individual as the owners themselves.

In 2014, an analysis in *Fortune* magazine named "no market need for their products and services" as the No. 1 reason businesses fail. That's not an issue for community pharmacy.

In that analysis, "outcompeted" accounted for 19 percent of closures. But Fortune reported a combined 45 percent of businesses went under because they ignored their customers, presented a poor product offering, or failed to do effective marketing.

Here, we take a look at some business reasons that community pharmacies close their doors – and how you can keep it from happening to your store. We talked to some successful owners, who shared lessons they've learned along the way. After all, new pharmacies are also opening, often without the attention given to a community pillar closing.

#### **STRATEGY NO. 1:**

##### **DON'T RELY SOLELY ON DISPENSING TO MAKE YOUR BUSINESS A SUCCESS.**

It's hard to stay in business if you're not making money. Progress on the advocacy front is slower than we'd like, but steady. Our efforts are paying off, both at the state and federal level. But the simple truth is that reimbursements are beyond our control, and owners need to look for additional profit opportunities to keep their pharmacies in good financial shape. For many, that means a robust front end, with products that keep customers coming back.

Sam Kelly, who owns two pharmacies in Beach Haven, N.J., says she thinks it's important to meet the needs of your customer.

"I'm constantly looking for a profit avenue," Kelly says. "When I started in the business, if you filled enough prescriptions, you'd be OK. Now, if you come in thinking that you're just going to fill prescriptions, you'll never stay in business."

Kelly's two stores have different customer profiles, and with that, different offerings. One store is in a resort area, with plenty of products geared to beach-goers. She just bought a building and is moving her

other store into it after a renovation. That store will be geared to wellness, she says. She'll push compounding, have a kitchen area for healthy cooking demos and offer unique lines customers won't find elsewhere. Her goal is for customers to come in and learn something new about their health, something that her competitors don't offer.

She's learned, she says, that her profit turns on listening to her patients and offering what they need. She looks at what's doing well in the store; if it works, she talks to customers and finds out why. Their needs surprise her sometimes, she says. She added more unique baby gifts because she realized the ones she had were selling well, and customers were making a special trip to find them.

"I ask my customers, 'What brings you into the store?'" so I know what they want," Kelly says. "I'm constantly looking for new products. I don't want the regular stuff they can find on Amazon."

"It's a challenge every day, but every business has its challenges," says Tom Cory, an owner in Fall River, Mass.

Amy Miller, an owner in Lula, Ga., agrees. "Fifteen years ago, we were complacent, and the revenue was still there. Times have changed."

An owner who just marked five years in business, Scott Newman of Chesapeake, Va., adds, "My front end has saved me. I'm not over-reliant on prescriptions. You just can't be. I had to change my mindset on that, but it's true."

##### **Want to know more?**

- Check out **diversified revenue opportunities.** ([www.ncpanet.org/innovation-center/diversified-revenue-opportunities](http://www.ncpanet.org/innovation-center/diversified-revenue-opportunities))

- Attend an **Enhanced Services Boot Camp.** ([www.ncpanet.org/meetings/bootcamp](http://www.ncpanet.org/meetings/bootcamp))
- Join NCPA's **LTC division.** ([www.ncpanet.org/ltc](http://www.ncpanet.org/ltc))
- Bookmark the **Front-End Marketplace** website ([www.frontendmarketplace.com](http://www.frontendmarketplace.com))
- Attend the **NCPA Annual Convention** and walk away with so many ideas. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))

#### **STRATEGY NO. 2:**

##### **FAILURE TO UPDATE, REMODEL AND KEEP A HEALTHY INVENTORY SENDS A BAD MESSAGE.**

Steve Fettman, who owns a couple of stores in Canton, Ohio, still laughs about the pink-and-turquoise, '60s throwback color scheme his store used to have.

"You have to keep up with the times," Fettman says. "If you don't upgrade, you're sending a message to your customers."

Gabe Trahan, NCPA's senior director of store operations and marketing, tells a story about a pharmacy owner who lamented his dwindling business. Out in front of his store he had an enormous neon sign. It read: RUGS – The "D" was burned out. Trahan asked how long the "D" had been burnt out; the answer was several years. Trahan asked the owner why he hadn't replaced the lights and the answer was, "It costs \$5,000."

For Trahan, it's more than a burned-out lightbulb; it's the message it conveys. "You look like you don't care. You look like you're going out of business." So, he adds, take a look at your signage. "Do you need to buy a vowel?" Trahan says.



One mistake owners make in tough times is cutting back on inventory, Trahan says. When a customer comes in for an item, and you tell them you're out, you've inconvenienced that customer. Chances are they'll smile and say they don't mind coming back when you've stocked, he says. But when you tell a customer you don't have what they need, you're inviting them to shop somewhere else, Trahan says. "They say they don't mind," he adds, "but how do you know? Empty shelves yell 'We have no money to buy product.' Control your inventory in a way that you do not have to say, 'We'll have it tomorrow.'"

A cluttered, disorganized pharmacy is as bad as a sparsely stocked one. Are color schemes out of date? Is carpet dirty or worn, paint peeling? Signs on the bulletin board for a fish fry last fall? All of those things indicate

a lack of attention to detail, a sense that the owner doesn't care. Spruce up, Trahan says. "You wouldn't put your money in a bank that looks like it may close tomorrow," he says. "You shouldn't expect a customer to put their health needs in a pharmacy that looks like it may close soon."

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Tom Cory updates his two stores regularly. The updates are as simple as changing curtains and cleaning carpet, but they make the stores into spaces customers want to visit. He

likes to keep his stores bright and neat, he says, using bright colors.

Fettman, who won an NCPA Innovations Center NICE award this spring for his updated signage, says updating your store extends beyond cosmetic changes. He bought a machine for unit dosing that he laughingly says, "cost more than my first house." But the investment paid off, he says. By packaging the meds in this fashion, he's building relationships with his patients and helping them stay compliant, which improves outcomes.

#### **Want to know more?**

- Come to a **Front-End Profit Building Seminar.** ([www.ncpanet.org/frontendseminar](http://www.ncpanet.org/frontendseminar))
- Attend the **NCPA Annual Convention** for ideas you can implement right away. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))

### **STRATEGY NO. 3:**

#### **POOR MARKETING IS A BUSINESS KILLER.**

You can have the greatest pharmacy in the world, but if no one knows about it, it won't amount to much. For successful owners, that means marketing, and marketing takes on many forms.

For Kelly and Cory, the key to marketing is getting involved in the community.

"It comes down to knowing what your community needs and meeting their personal needs," Kelly says. And because needs can change, she adds: "Just be ready to be flexible."

Cory lives just five blocks from one of his stores. "You've got to be out there with the public," he says. He practices what he preaches, too: For years he's done a weekly radio show with another pharmacist, he's involved in civic organizations, and he delights in drawing in customers with zany promotions.

For example, on St. Patrick's Day, he invited customers in for coffee and a local favorite, malasadas, a fried dough concoction of Portuguese origin. Malasadas are normally rolled in sugar, and in honor of St. Paddy's Day, the sugar was tinted green. Customers ate them up – literally. He started with 600 and ended up with 11 at the end of the day. More important, it brought lots of traffic into Standard Pharmacy. Another popular promotion at Cory's pharmacy is "Tom's Tax Relief," paper bags containing a bottle of aspirin, a roll of Life Savers, and a 100 Grand candy bar. "They're just fun promotions, but people look forward to them," Cory says. "And we do too. It's fun."

The attitude in a store is critical, Trahan says. "When it's not fun anymore, the look of gloom and doom is probably going to come true."

Trahan identifies three ways to attract new customers:

- Word-of-mouth
- Curb appeal
- Marketing

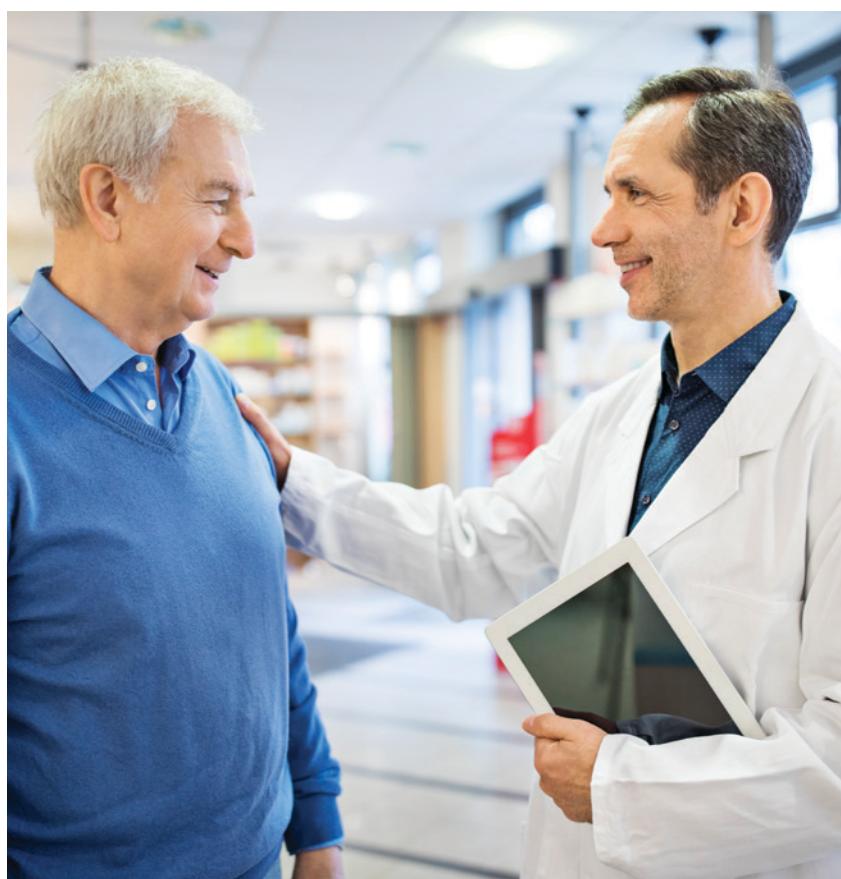
He's quick to add that word-of-mouth generally only keeps customers; it doesn't attract new ones. Easy-to-read signage is important, too. But marketing is the best way to bring in new customers, he says.

Good marketing needs to be specific, Trahan says. Sometimes people say, "At our pharmacy, we treat you like family." But, Trahan says, what does that really mean? "Customers want to know what you're going to

do for them," Trahan says. "What is the benefit of being your customer? How are you going to better my experience in a pharmacy?"

So, instead of saying that you have a convenient location and offer patient counseling, offer a more specific message: "Take 10 steps into our pharmacy and you're talking to a pharmacist who wants to be a partner in your health care."

Fettman sends his staff to senior health fairs and markets directly to physicians, letting them know the services he can offer to their patients. He will perform a tune-up on any chair or walker a patient brings in, no matter where they bought it. "You have to think outside the box," Fettman says. "Offer things the chains are not. Get your face out there in the community so people will know and trust you."



### Want to know more?

- Download the **Opportunity Toolkit**, a resource designed to help you bring in new business. ([www.ncpanet.org/opptoolkit](http://www.ncpanet.org/opptoolkit))
- Come to a **Front-End Profit Building Seminar.** ([www.ncpanet.org/frontendseminar](http://www.ncpanet.org/frontendseminar))
- Attend the **NCPA Annual Convention** for the latest marketing tips. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))

### STRATEGY NO. 4:

#### FOCUS ON HEALTH OUTCOMES.

Most pharmacists get into the business to help people, but helping people achieve better health outcomes is about more than filling prescriptions.

In his five-year-old pharmacy, Newman has offered vaccinations since the first day. He gave 250 flu shots last year, 50 to patients who had never had a flu shot before. Some pharmacies have added long-term care services and diabetes education and management, both of which offer measurable results.

John Beckner, senior director for strategic initiatives at NCPA, links diversification to pharmacy value. "By adding these services, you increase the value of your pharmacy."

Beckner recalls an owner friend who was reluctant to add services; he believed that filling prescriptions and a few front-end items were enough. He finally decided that he needed to sell his business, but by then his pharmacy had lost value. He ended up selling to a chain for less than he wanted.

"When he needed to sell, the value just wasn't there," Beckner says.

For pharmacies seeking another path to profit, the clinically integrated network, CPESN® is a step toward being paid for the outcomes of services provided, not just prescription fills. CPESN networks focus squarely on quality care that leads to lower total costs and services tailored to your community. With CPESN networks, there's not a top-down directive; decisions are made locally. "This is where pharmacy is going," says Kurt Proctor, NCPA's senior vice president for strategic initiatives. "CPESN networks allow us to decrease the extent of our reliance on prescription reimbursement and take pharmacy straight to the medical side where our value is appreciated."

*But to be successful, you need to work ON your pharmacy, not just IN your pharmacy."*

CPESN networks offer community pharmacies something new and different – a clinically integrated network with a patient focus, dedicated to improving quality and health outcomes with the data to back it up. CPESN networks offer plan sponsors who care about total health care costs something new and different. Whether you join a network or not, pharmacy is moving toward improving patient outcomes, Proctor says.

### Want to know more?

- Attend an **Enhanced Services Boot Camp.** ([www.ncpanet.org/meetings/bootcamp](http://www.ncpanet.org/meetings/bootcamp))
- Consider becoming part of a **clinically integrated network** like CPESN. ([www.cpesn.com](http://www.cpesn.com))

- Attend the **NCPA Annual Convention** to learn more about better health outcomes. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))

### STRATEGY NO. 5:

#### ALWAYS KNOW WHERE YOU STAND.

Ollin Sykes owns Sykes & Co., a firm specializing in accounting and financial planning for community pharmacies. After 42 years in business, Sykes has a quick answer when asked for the No. 1 reason community pharmacies fail.

"Lack of proper accounting," he says. "Nothing else comes close."

Sykes remembers the days when pharmacists could operate from a checkbook. That's all they needed for accounting, he says, but those days are long gone. "Accounting in pharmacy has changed night and day since then," Sykes says. An owner is doomed to failure if they refuse to change, he adds. "People fear and resist change," he says. "They don't want to change. This is a change, but it's not rocket science."

It's essential that today's pharmacy owner keep up with third party accounts receivable reconciliation and real-time inventory counts daily, Sykes says. They must know where they stand with daily, weekly, and monthly reconciliation.

The first step is to work with an accountant that specializes in pharmacy, Proctor says. Even if there's not one in your town, in our connected world, it's easy to establish a relationship with a specialist in another city or state, he says.



**"We explain, *This is the culture we want.*' We explain why we want the culture we want, and I think that makes a difference."**

alongside fellow pharmacist Amina Abubakar at Rx Clinic Pharmacy, a specialty pharmacy, in Charlotte, N.C., says a good workplace has a clearly defined culture. It's essential that every employee understand the pharmacy's goals and expectations.

"Attitude is really important," Bentley says. "We explain, 'This is the culture we want.' We explain why we want the culture we want, and I think that makes a difference."

Owner Abubakar holds employee meetings but finds that talking to employees individually is more productive. These conversations are helpful because they've discovered that in a group setting, extroverted employees often take over. And it's a good chance to get to know the employee.

"We have found that one-on-one conversations with our employees are the most revealing," Bentley says. "We tell them, 'If you just think we're here just to dispense meds, you're working at the wrong pharmacy.'"

Finding a good fit for the staff starts with hiring, Bentley says. They like to know what the employee's goals are. They don't expect everyone to stay for years, but they want to know that the job isn't just a "pass-through"

Owners need to put systems in place – and most important, use and control them daily, Sykes says. Not doing so, he says, leads to lack of cash flow and working capital, and that's a business model that cannot be sustained.

#### Want to know more?

- Come to an **Ownership Workshop** for ideas that will improve your profits. ([www.ncpanet.org/ow](http://www.ncpanet.org/ow))
- Attend the **NCPA Annual Convention** for programs designed to help you succeed, and to talk to other pharmacists in Shoot the Breeze sessions. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))
- Own more than one pharmacy? Attend **Multiple Locations Conference**. ([www.ncpanet.org/multiplelocations](http://www.ncpanet.org/multiplelocations))

#### STRATEGY NO. 6:

##### **ASSEMBLE A TEAM THAT SHARES YOUR GOALS AND VALUES.**

Pharmacists know all about contagious diseases. Could there be one brewing among your pharmacy staff?

According to research reported in the Harvard Business Review, even one toxic employee can corrupt the atmosphere you want in your pharmacy. Sadly, the research notes, negative employees are more likely to influence co-workers than the other way around.

Olivia Bentley, a pharmacist who frequently works with staff issues

situation. With every employee, managers explain the pharmacy's goals and more than that, the "why" behind those goals, Bentley says.

"When people understand why, that's the key," Bentley says. "And everything we do, we link it back to why we do it."

Before terminating an employee, Abubakar tries to figure out if they'd be a good fit in some other staff position, Bentley says. They had an employee who didn't have good people skills, but his job required him to deal with customers. He was, however, analytical and enjoyed working with data and reports. Rather than fire him, they moved him to a staff job that played his to his strengths.

"It might not always work out, but if you know your employees and understand their strengths, it's worth a try," Bentley says.

In the end, an owner is wise to correct a negative situation as soon as possible.

"We talk about the pharmacy as a bus that has a destination," Bentley says. "Our goal is to move forward. If they share our goals and want to go with us, that's great. Sometimes, we have the right people, but they're in the wrong seat, so we make a change. Sometimes, they just don't need to be on our bus, and we let them off and keep moving."

#### Want to know more?

- Come to an **Ownership Workshop** for tips on dealing with employee issues and training. ([www.ncpanet.org/ow](http://www.ncpanet.org/ow))
- Attend the **NCPA Annual Convention** to learn about staffing and more, and to talk to other pharmacists in Shoot the Breeze sessions. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))



#### REACH OUT WHEN YOU NEED HELP.

There's a reason that Shoot the Breeze sessions at the NCPA Annual Convention and Multiple Locations Conferences get rave reviews. Whether you own one store, two stores, or a small chain, you're still an independent, and it helps to be around people who understand your challenges.

Build a team around you. Make sure you're working with an accountant who specializes in pharmacy issues, Proctor says. Attend as much NCPA programming as you can, he says.

"It's tough to get away," Proctor says. "You have to have relief and that can be hard. But to be successful, you need to work ON your pharmacy, not just IN your pharmacy."

It can be a challenge for a person who knows well the clinical aspects of pharmacy to grasp the business side. "We get it," Proctor says. "That's why we have convention and ownership workshops ... ask the experts. You've got to know what you don't know."

Finally, decide what the future of your pharmacy is, beyond your ownership. Many people say they'll make that decision closer to retirement age, but as Cory says, no one knows when illness or death could change everything. He has no children to take over his business, he says, but at 62, he has a succession plan in place, and he's glad it's settled. He figured it all out in advance because he didn't want to have to make a hasty decision in case of an emergency.

"I hear people complain about the way things are in pharmacy today," Cory says. "But to me, the community pharmacy is one of the greatest American traditions. We need neighborhood pharmacies."

#### Want to know more?

- Come to an **Ownership Workshop** to sharpen your skills and improve your profits. ([www.ncpanet.org/ow](http://www.ncpanet.org/ow))
- Attend the **NCPA Annual Convention** to learn about planning and more, and to talk to other pharmacists in Shoot the Breeze sessions. ([www.ncpanet.org/convention](http://www.ncpanet.org/convention))
- If you own more than one pharmacy, come to **Multiple Locations Conference**. ([www.ncpanet.org/multiplelocations](http://www.ncpanet.org/multiplelocations)) ■

**Jayne Cannon** is NCPA director of communications.