



PLANS

Road Map FOR Success

Craft a business plan that bankers will have to love

By Lisa Faast, PharmD

Congratulations! You have chosen to join a special class of people known as independent pharmacy owners. Your journey from this point on will have you experiencing some of the widest range of emotions known to man—and woman. When I went through the startup process for my business (Faast Pharmacy in Bakersfield, Calif.), I cried, I laughed, I prayed, and I yelled, “Why didn’t anybody tell me this?” so many times that I sounded like a broken record.

When you decide to own a pharmacy, whether a startup or a purchase, a map is needed to lead you in the right direction. Unfortunately there is no magic



map or paper telling you every step to make and every pothole to miss. However, one universal tip is to create a strong foundation in the form of a business plan. You may be a fantastic pharmacist, but that doesn't necessarily mean that those skills will translate into being a good pharmacy owner. A pharmacy is a business at its core. Your business plan will take a lot of time and effort, but it is an essential process for any aspiring owner. New owners generally require between \$200,000 and \$500,000 of start-up capital. Of course, most pharmacists don't have this kind of cash under their mattress, and will have to go to a bank for help. When an application is received by a bank, the business plan will be your main attraction. The decision to extend a loan or reject the request rests on the quality of this document.

Five Important Categories

There are five categories of what I consider the most important aspects of a business plan: market research, marketing plan, financial projections, operational plan, and your individual fingerprint throughout the plan. Always keep in mind that bankers are numbers people, so get comfortable with numbers now. You don't have to reinvent the wheel when writing your plan. I purchased Business Plan Pro software to help me. It is available online or in stores. It was the best decision I made.

Market research is often simplified based on population statistics and number of competitors. Those points are important, but it should go far beyond that. It should include teaching yourself how to be a business owner. This skill is learned. NCPA has an entire department devoted to ownership and business skills: the Management Institute. There are great books such as "E-myth" and anything by Tom Feltenstein. Other owners can be helpful in forming the base of your business education. I didn't become aware of these amazing resources until I was into my second year of business. Learn basic bookkeeping terminology such as accounts receivable, payables, and cost of goods sold. "Bookkeeping for Dummies" is a great review. Many times the best advice is free, so don't be embarrassed to ask for help or direction, as it will only make you that much better. Shop other pharmacies, both chain and independent, so you can get a good idea for the look and feel of your pharmacy. If you see something you like, such as register counters, don't be shy; ask how and where they got theirs. I recommend researching your vendor choices thoroughly.

One mistake I made was making a bad choice for my point of sale system. I spent a lot of money on it and I hate it. At the first trade show I attended as an owner, I was introduced to a system that was much better, but I couldn't afford to change. That was a costly mistake. Now after five years in business, I am finally able to switch systems.

Market research should help direct you toward your ideal customer. I can't stress how important that is. Your entire business plan should cater to your ideal customer. My ideal customers are families with children. At the time I was opening my store I was pregnant with my first child, and I believed that I could identify with the lifestyle and needs of this subset of the population. Bankers want to be sure that you have done this type of research and planning. The typical question you will be asked will be, "What is your niche?" You need to be able to answer the "who" and the "why" for this question. The answer is what makes you special.

Marketing Plan

A marketing plan is an essential piece to any good business, but it is especially important to pharmacies with so much competition and tight margins. Knowing your ideal customer will help you decide where to spend your

marketing capital. Marketing can be expensive, which makes mistakes extremely costly. Some of the best marketing is practically free. Using a good combination of both is what I recommend. There are fantastic books out there on marketing and advertising. Your marketing plan will vary depending on whether you are starting from scratch or taking over an existing business.

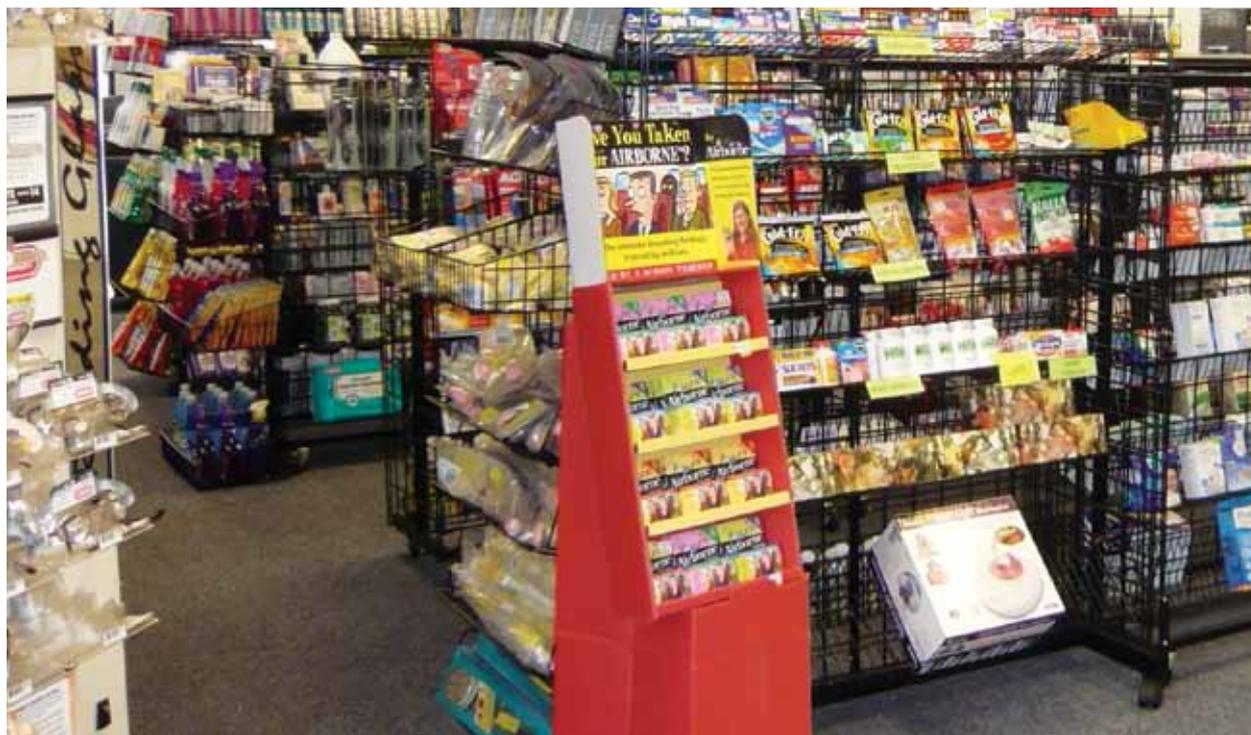
Marketing for a startup should focus heavily on name recognition and introducing people to your brand. For an existing pharmacy, it may continue the same marketing strategy if a good plan is already in place. Or, you may need or choose to run a big campaign highlighting improvements to the existing business to attract new customers and bring back older ones. It is important to understand the difference in the terms of marketing, advertising, and sales. Marketing is about your name and branding. It can also be referred to as the look and feel of your pharmacy service. Advertising is usually about highlighting products, services, or discounts. You advertise specifics: flu shots, delivery service, or your grand opening. A sale is closing the deal, which for me in a pharmacy translates to turning a first-time customer into a repeat customer. Your processes,

systems, and staff are going to be your sales team, and they will be essential for giving your customers a truly awesome experience that will make them come back again. For some owners, marketing will come easy. If it doesn't for you, get help. This is definitely an area where you don't want to fail.

Finances

Financial projections are the meat and potatoes of your business plan. Make these as solid as you can. Business plan software will really help you create the tables and charts and ensure that you don't miss any categories. I based my plans on industry standard growth projections for a baseline. Go beyond this by projecting faster and slower growth. You may think that faster growth is always better, but it's not always so. During several periods I almost grew myself out of business because of the large amount of accounts receivables I had to carry. Banks want to know where your money and their money is going to be spent. Along with all the typical expenses such as rent, energy, and equipment, never forget to include a salary for yourself. If you leave this out this can be a red flag for lenders.

▼ Lisa Faast, top left, says, "Your business plan is... a chance to show how you are going to differentiate yourself from your competitors."





Banks themselves provide a lot of resources, so take advantage of what they offer. My suggestion is to visit both local and regional banks, speak with their business associates, and use their experience and knowledge to help you. Interview your local banks for their expertise with small business owners. Your local chamber of commerce is a must join organization. They offer many classes and workshops, often free, for local business owners.

When it comes to projecting budgets, my motto is to prepare for the worst and hope for the best. It is crucial to have a good certified public accountant (CPA) on your team when projecting and manipulating numbers. You should interview several personally and get recommendations from other business owners. Your CPA should be readily accessible because you will be calling him or her frequently. A CPA will help you choose

the type of entity for your pharmacy's business structure. The most common are S corporations and LLCs (limited liability companies). Faast Pharmacy is set up as an LLC. (An LLC is a flexible form of enterprise that blends elements of partnership and corporate structures. It is a legal form of company that provides limited liability to its owners in the majority of United States jurisdictions.). A good CPA will help you manage your tax liability along with being a good resource for future business decisions.

Operational Plan

An operational plan is an often overlooked exercise. It basically means that when your business is finally open, how are you going to run it? A good place to start is an organization chart. In the beginning, you (as the owner) will fill most of the positions. Then as you grow, the

Revvng Your Business Is Good... Right?

There were many times that I experienced such rapid growth at Faast Pharmacy that I almost grew myself out of business. Here are five warning signs from the National Federation of Independent Business that you are growing too quickly.

1. Your systems can't keep up. Our pharmacy software could no longer meet our needs due to the time of data entry for the volume of prescriptions we were typing. I tried adding more people but that didn't work, so I finally decided to get new software that would contribute and enhance our workflow system.

2. You start choosing quantity over quality. In a pharmacy this translates to more mistakes in the dispensing process.

3. Your patients feel underserved. Patients will usually tell you pretty quickly if you are growing too fast by complaining or worse, transferring out.

4. Your vendors or other partners are overwhelmed. As you grow you consume more supplies, and your current vendors may not be up to the task of filling your increased orders.

5. You have problems with cash flow. This is the big one for pharmacy in particular. Because as

your business gets busier, your accounts receivable increase, along with your wholesaler bill.

Words of Advice

- Be willing to do what it takes, not what you think is enough—it is very, very hard, but very, very worth it.
- Treat your employees the way you want them to treat your customers.
- Start small. Be frugal. Watch very carefully what you spend.
- Compose a realistic business plan. Once this is done, double your estimated start-up costs and cut your anticipated first year sales in half. If the boat still floats, you have a fighting chance.

Resources to Help You Get Started

Resources that can help you get off to a good start include your local banks and chamber of commerce. The following organizations can also provide assistance:

- National Community Pharmacists Association: www.ncpanet.org
- National Federation of Independent Business: www.nfib.com
- Small Business Administration: www.sba.gov
- Pharmacy Development Services: www.pharmacyowners.com
- E-Myth Worldwide: www.e-myth.com

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owner will occupy less as you hire or outsource. This is an important exercise to help determine how many people to hire and at which positions. Employee benefits and pay are also important to think about at this point. In my opinion your business starts and ends with your employees. The quality of your employees greatly reflects on the quality of your business.

This section should also include your branding. Branding encompasses logos, themes, a tagline, and your business model. Unless you are also a graphics specialist, I recommend you hire an expert to create a logo. Everything that is seen by the public should have your logo and tagline on it. Your tagline should be one descriptive sentence that lets the reader know what your business model is. Are you a champion customer service provider, or do you have rock bottom prices? Now is the time to understand that you cannot be everything to everyone. When you pick a specialty, such as service, you will inevitably leave some potential customers out; for instance, those looking for the cheapest prices. Be sure that your organizational chart, employees, and business model fit together into a cohesive plan. For example, if you want to offer the cheapest prices, you should plan on hiring fewer employees to reduce costs. My business model was to offer the best customer service possible. This is an expensive goal. To achieve this I learned that I needed more computers, more registers, and, of course, more employees.

At this point it's also appropriate to review all of the laws and regulations for businesses to ensure that you are in compliance. When small businesses get in trouble, it's usually related to human resource issues. Minimum wage, hiring, firing, workers' compensation, and unemployment are some of the most common pitfalls for small business owners. You might consider joining an association to help. In California we have CEA (California Employer's Association), which for a small fee provides education and answers questions. Your local chamber of commerce can give some recommendations as well.

Your business plan is also a chance to show how you are going to differentiate yourself from your competitors. What makes you special? Bankers really like learning about your "X" factor. What is going to drive customers into your store? Once they get there, what are you

doing to keep them? The more uniquely you can brand yourself, the better grade you will receive on your overall plan. This is your business. Be sure your essence is present throughout the plan. We can all get into a trap of emulating other people and businesses. If an idea doesn't

You'll need capital to turn your idea into reality. The best way to win those tight dollars from investors and banks is to have an **amazing business plan.**

really fit you, then it will never succeed no matter how good it is. This is your chance to do pharmacy your way. Concentrate on what is important to you. For me I wanted a pharmacy that provided an excellent work environment along with the best in customer service. These concepts were important to me. As my business goes forward, every decision needs to be weighed against those concepts to see if it fits.

Becoming an owner of a pharmacy is both an exciting and stressful time. There are many decisions to make that will impact your business for the long term. You'll need capital to turn your idea into reality. The best way to win those tight dollars from investors and banks is to have an amazing business plan. Use tools in the business industry and pharmacy industry to create a complete plan. When you feel overwhelmed, just remember that this has been done before and talk to other owners to get help.

I personally enjoy helping other pharmacists get their businesses up and running. If you ever need help please consider me as a good resource. I am readily available for small needs or can be contracted for larger requests. Get a good support team of family, friends, and employees and I know you will succeed. **ap**

Lisa Faast received her PharmD degree from the University of the Pacific in 2001, and opened Faast Pharmacy in Bakersfield, Calif., in April 2006. Her business was profiled in the December 2010 issue of *America's Pharmacist* ("Faast Track to Independence"). She can be reached at lisa@faastpharmacy.com.