

NEGOTIATING THE PURCHASE OR SALE OF A PHARMACY©

While there clearly have been volumes written about the art of negotiation (and note that it is usually referred to as an art, not a science), there always seems to be a new spin attached to this activity, a new business book written about it, another seminar discussing, analyzing and dissecting the process. I would venture to say that there are more seminars given in this country about negotiating in the course of any single year to business people, young and old, experienced and inexperienced, than there are seminars given to pharmacists about diabetes care. Hard to imagine, but probably true.

From my personal perspective, there is only so much one can learn about the process of negotiating a business deal (or about any other “real world” activity for that matter) from a book. I think that most pharmacists, highly educated as we are and with a strong foundation in many sciences, would agree with this premise. You can only learn so much in the classroom, after which you have to apply what you have learned in practice. The same holds true for negotiating. You can only learn so much from a book or a seminar, after which you have to engage in the activity to truly learn what it is all about.

The problem for pharmacists in this regard is that when it comes to buying and selling businesses, negotiating business deals, we just don’t engage in the process all that often, perhaps only once in a lifetime on either end. The first time, of course, is when you purchase (or have purchased, in the case of pharmacy owners who may be reading this column) your own community pharmacy. The second time, and often the only other time you are involved in this type of negotiation, is when you sell the pharmacy you purchased at some point in time in your career. For many, many pharmacy owners, this process only happens once on either end.

When you reflect on the previous paragraph it is easy to understand why business people, pharmacists in particular, can become very emotionally involved when engaged in the process of buying or selling a pharmacy. When you are a buyer, you are spending your own money, money you worked hard to accumulate, money you may have borrowed to make the acquisition. As such, you are extremely protective of this money, your investment in a business, and are anxious to get the most value for your money when buying a pharmacy.

As a seller, you are selling something that has provided for you and your family for many years, helped you live your life as comfortably as possible, acquire your home, educate your children and in general, has been your sole source of income. I have often observed that for many pharmacists, the vast majority of their personal net worth is tied up in their business. One can easily see how a pharmacist can become emotionally attached to his or her business, given all that it has provided for them over the years they have owned it.

What this emotional involvement on both ends often leads to is either or both parties adopting less than reasonable positions in the course of trying to negotiate the purchase and/or sale of a pharmacy. Translated this means that sellers often ask too much for what they have to sell and buyers often offer too little for what they want to buy, regardless of what value either party has put on the business and how they arrived at that value. When this happens, negotiations, such as they are, break down and deals do not get made.

Having been part of many negotiations, both as a principle, buyer and seller, and as an advisor, I believe that the basics of effective negotiating are few, and really quite simple, mostly based on good common sense and communications skills. Here is my short list of those basic premises:

- Be open and communicative at all times. Refusing to discuss issues that are raised is not a sign of good faith, a term that is often applied to the process of negotiating (“he, she, they, are, or are not, negotiating in good faith”).
- Back up your statements and premises with facts. If you are asking for a price for something, be prepared to substantiate what you want with facts. And conversely, if you are offering a lower price than the seller is asking, be prepared to prove, on paper, why you feel your offer is fair.
- Try hard not to get emotional about the conversations. This is often difficult when it is your money on the line, either way, but it is, in my opinion, critical to successful negotiations.
- Remember the win-win concept. If you try to take everything and give nothing in a negotiation, the deal will probably fall apart at some point in time during or after the negotiating process has been completed. It is often said that a really good business deal is one where neither party leaves the table totally happy with the outcome, each side feeling they left a little something on the table.

If you have identified a buyer for your pharmacy, or the seller of a pharmacy that you would like to acquire, and do not feel totally qualified to negotiate the transaction yourself, don't be bashful to seek professional assistance. This assistance may come from accountants, attorneys, brokers, consultants or a family member with more experience than you have with this activity.

If you do seek out and retain professional/outside assistance with the process, it is absolutely essential that you provide your advisor(s) with a clear understanding of your goals and parameters. In my long experience with the buying and selling of pharmacies I have seen far too many deals break up because an aggressive (or not so aggressive) outside professional doesn't represent his or her client's interests effectively. I place blame for this on the client, not the professional, for not expressing his or her wishes and needs as to the prospective outcome at the start of the negotiation.

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