

OWNING AN INDEPENDENT PHARMACY©

Throughout the course of the last eight months we have discussed the various aspects and activities of the acquisition of an independent community pharmacy. A review of those eight articles will indicate that the process is often difficult, time consuming and costly, both on a financial and a personal/psychological level. To do all that it takes to find, evaluate, negotiate for and finance the acquisition of a pharmacy can seem a daunting task. Accordingly, many young, first time buyers can become dismayed at the lack of progress or their inability to find and acquire a suitable business, given all the many variables involved as well as the risks.

But with that said, I can assure you from personal experience that dozens to hundreds of independent pharmacies are changing hands on a regular basis, year after year. These stores, located in all types of trading areas and in pretty much every state in the Union, are and have been the backbone of the independent pharmacy community for many years. They have grown dramatically in sales volume and prescription activity, to the point where this year's Digest will no doubt show an average sales volume of more than \$3 million dollars annually. This is not an insubstantial figure.

And despite the intense pressure on prescription department profit margins, the more than 20,000 independent owners in this country continue to earn a substantial living, one which, based on recent reports, far exceeds that of the average employed pharmacist and, in fact, places these owners in the top 4% of all United States wage earners. While many pharmacists clearly don't or cannot earn this average number, they still continue to earn good livings and, as owners, are in control of their own destiny.

Given the constant pressures on the industry, regulatory and legislative, as well as plain old competition, one might wonder just exactly where the business opportunity is in community pharmacy. I say that it is right there, under your nose, just waiting to be taken advantage of. Pretty much every day I speak with pharmacy owners, many of them poised for retirement, who have built good businesses, earned significant livings, educated their children and created pleasant life styles by virtue of their efforts as pharmacy providers to their local communities. These stores are as different as any two people in this world, are

located in all types of communities, large and small, urban, suburban and rural. But they do have one common thread, the fact that they have survived and yes, prospered, through the most difficult two decades that independent pharmacy has ever experienced.

Given the demographics of the independent owners of today, mostly male, more than 60% of them over the age of 50, there couldn't be a better time to address the acquisition of a community pharmacy. With so many new and exciting market niches and opportunities presenting themselves, independents can and will not only maintain their current share of the market but, in my opinion, be able to grow it by being innovative, changing with the times and just plain competing for the customer. Senior executives in large drug chains have expressed time and again, chapter and verse, the fear of competing against the "new" independent. They are comfortable competing against each other, since they are all exactly alike, more or less, in product mix and service offerings. What they can't compete successfully against is the unknown of an aggressive, service-oriented pharmacy professional who is the owner, on the premises, servicing the customers.

I believe that this combination of factors, coupled with the increased utilization of prescriptions that is being driven by all the factors we have spoken about, along with the aging population and the increase in insured citizens, will lead to even higher volumes and more gross profit dollars than ever before. In fact, a brief look back over the past two decades indicates that despite the margin pressures (which will continue, no doubt), despite mail order (which clearly has a place in the market), despite the mergers of the giant chains (which can only continue for so long and, in fact, are probably good for independents), sales volume and gross profit dollars continue to increase. One of my favorite sayings has always been that you don't bank percentages, you bank dollars. Always remember that when addressing the acquisition of a pharmacy.

The sale or purchase of a pharmacy is never a simple matter. The process can be stressful for both sides, often leads to difficult hurdles which must be overcome but, at the end of the day, can be most rewarding for a buyer and a seller. If you are an owner who is contemplating retirement, or are just ready to move on, I urge you to explore your options, plan your exit carefully and seek out an independent buyer. They are out there and many of them are anxious to own their own businesses. If you are a prospective owner, look hard for a pharmacy to acquire. There are many options for you, depending upon a multitude of factors but clearly, with so many stores available and changing hands, there is one out there for you to purchase.

As always, I support seeking the help of qualified professionals when contemplating this process. Attorneys, accountants, consultants and other professional advisors are required and often invaluable during the process of purchasing or selling a community pharmacy. If you remain focused on the task at hand, have access the required advice and input, you can successfully partake in the transition of ownership of a community pharmacy, a process which can be a win/win for everyone involved.

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