Pharmacy Start-up Kit

Build a successful community pharmacy with the support of a partner dedicated to protecting your independence
Join the Good Neighbor Pharmacy® family

Starting your own pharmacy is a monumental undertaking, but it’s nothing you can’t accomplish when you have the right resources at your side. And expert guidance is even more important when it comes to the long-term success of your business. That’s what makes Good Neighbor Pharmacy membership such a smart decision at this stage of the start-up process. This kit is just the beginning of the type of indispensable insight you can expect from here on out when you partner with us.

Beyond how-to handouts, we’re also here to connect you with key consultants who can help you take each step correctly and confidently as you set up your pharmacy. And then when you’re ready to open your store, we provide you with everything you need to make sure your pharmacy stands out as a one-of-a-kind healthcare destination for personalized care in your community. Here’s how we do it.

We simplify your business operations

From training staff to inventory management to patient engagement, we streamline everything you do right from the start. Using competitive benchmarks and deep industry knowledge, we’ll help you maximize the efficiency of your pharmacy so you spend less time on day-to-day management and more time focusing on your patients.

We amplify your brand and identity

When you build a new independent pharmacy, you’ll have robust marketing support and the flexibility to tailor it to your community from the ground up and differentiate it from the rest of the market. We’ll help you offer the services your patients need most and promote them in ways that drive traffic through your door.

We protect your independence

Independence is your most valuable asset. It allows you to adapt quickly to patient needs, which is critical to your business. We take that to heart every time we negotiate a payer contract and fight to secure the reimbursement you deserve. It’s also what inspires us to advocate for you every day in Washington, D.C.
A dedicated business coach

As a Good Neighbor Pharmacy member, you’ll have an undeniable competitive advantage thanks to our unique business coaching program. Your coach will meet with you regularly to discuss what’s going on in your pharmacy from top to bottom. Armed with comprehensive data and extensive pharmacy experience, they will:

- Give you a deeper understanding of your performance
- Identify operational issues
- Provide specific recommendations for improvements
- Establish metrics to measure progress
- Keep you informed of industry trends
- Help your pharmacy grow year after year

A powerful managed care network

You’ll also have access to the AmerisourceBergen PSAO, Elevate Provider Network. Our managed care network is more than 4,600 members strong, giving you the collective scale and voice needed to thrive in an intimidating industry. Moreover, it enables you to become part of something bigger—a group of peers who are excited to talk about their experiences, share their ideas and grow with you side by side, because you share a common bond made stronger by the very fact that you’re independent and proud of it.
It’s an exciting time to open a pharmacy

<table>
<thead>
<tr>
<th>Independent pharmacy is a $79.8 billion marketplace</th>
<th>There are 22,040 independent pharmacies nationwide</th>
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<tbody>
<tr>
<td>92% of sales are prescription drugs</td>
<td>Nearly 10,000 baby boomers become eligible for Medicare every day</td>
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<tr>
<td>We’ll be facing a shortage of up to 105,000 physicians by 2030, making the pharmacy a more prevalent destination for patient care services</td>
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<tr>
<td>Independent pharmacy—on average:</td>
<td></td>
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<tr>
<td>• 59,700 prescription fills per year (191 per day)</td>
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<tr>
<td>• $11.09 cost of dispensing</td>
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<tr>
<td>• 22% gross profit margin</td>
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<tr>
<td>• $3,600,000 in sales per location</td>
<td></td>
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Let’s get started!

Source: NCPA Digest 2017
*Association of American Medical Colleges. Research Shows Shortage of More than 100,000 Doctors by 2030.
STEP 1: Pick a Location

Ideally, you want to find a place that has access to lots of prescribers, lots of traffic, lots of parking, lots of opportunity, lots of everything! But spots like that are rare in the real world. It will take some serious searching to identify the perfect place for the business you’re trying to build.

Key considerations

- Physical location
  - Strip center
  - Stand alone
  - Main Street
  - Urban
  - Medical/professional setting
- Lease vs. own
- Target market demographics
- Prescribers
  - Scripts generated per week
- Competition
  - Chains
  - Independents
  - Scripts filled per week

Research tools

- City Data
- U.S. Census Bureau
- American FactFinder
- Centers for Medicare and Medicaid Services

Once you narrow down your search to a particular geographic location, spend some time assessing the local population, demographics, incomes and, most importantly, CMS prescriber information.

While some pharmacy owners want to stay away from chain competition, experts agree that the best place to be is near your biggest competitor. That means there’s already a need for pharmacy services in that area and your competitor has already spent a lot of money to drive foot traffic there. You just need to provide a higher level of service and know how much market share you need to win to be profitable.

A great place to browse potential locations is LoopNet.com. There you’ll find a huge marketplace of commercial real estate for sale and lease.
STEP 2: Write a Business Plan

Your business plan is the foundation for your pharmacy’s future success. It will determine the long-term trajectory of your business, so take your time thinking through each component in depth. Here’s a rundown of what should be included in your business plan.

Executive Summary
- Mission statement
- Description of the business
- Product/service mix
- Location analysis
- Business insurance
- Security
- SWOT analysis (strengths, weaknesses, opportunities and threats)

Physical Description of the Business
- Lease vs. own
- Square footage
- Terms of the lease

Marketing Plan
- Potential market
- Target market
- Competition
- Advertising and promotion

Financial Details
- Start-up costs
- Financial projections
- Staffing requirements
- Accountant/accounting firm

TIP
The Small Business Administration (SBA) website is an excellent resource where you can find helpful writing tips, samples and a step-by-step guide.
Step 3: Budget Accordingly

Your initial investment will depend on a variety of factors, but the following table outlines the estimated minimum amount of funding it will take to get your pharmacy up and running.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building construction</td>
<td>$10,000</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>$50,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>$50,000</td>
</tr>
<tr>
<td>Working capital</td>
<td>$100,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$10,000</td>
</tr>
<tr>
<td>12 months of rent</td>
<td>$50,000</td>
</tr>
<tr>
<td>Advertising and marketing</td>
<td>$10,000</td>
</tr>
<tr>
<td>Good Neighbor Pharmacy membership fee</td>
<td>$7,188 ($599/month)</td>
</tr>
<tr>
<td><strong>Total minimum investment</strong></td>
<td><strong>$290,000</strong></td>
</tr>
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See the 2018 Good Neighbor Pharmacy Franchise Disclosure Document, Item 7, for detailed initial investment numbers.

Need financing?

First, reference your business plan. Use it to develop rock-solid reasoning that you can share with lenders and explain why your start-up pharmacy will be successful. You should be able to prove that you have a strong understanding of the marketplace and realistic expectations for growth. Next, reach out to your local bank or a start-up SBA lender to secure funding*. Keep in mind, it will help if you have a substantial equity contribution that you can bring to the table.

*Start-up financing is not guaranteed.
STEP 4: Get Your Licenses

Making sure your pharmacy is properly licensed is an absolute necessity. This process can be complicated and confusing, so take it one step at a time in this order to help everything go smoothly.

1) Form a corporation (S corp or LLC)
2) Sign a lease
3) Submit a credit application with AmerisourceBergen
4) Apply for a state Board of Pharmacy license
   Every state application is different. Get the proper retail pharmacy application package from your state’s Board of Pharmacy.
5) Apply for a DEA license
6) Join the NCPDP (National Council for Prescription Drug Programs)
7) Create an account with NPPES (National Plan and Provider Enumeration System)
8) Apply for a Medicaid/Medical Provider Number
9) Become a Good Neighbor Pharmacy member
10) Contract directly with PBMs outside of Elevate Provider Network
    You will receive a list of applicable PBMs in your Good Neighbor Pharmacy enrollment package.
STEP 5: Prepare for Opening

Once construction has been completed on your pharmacy, you’re ready to make final preparations before opening your doors. Here’s a checklist of things you’ll need to take care of leading up to the big day.

- Set up your utilities
- Install pharmacy technology, like your pharmacy management system
- Hang signage
- Order inventory
- Implement a front-end merchandising strategy
- Label and stock your shelves
- Hire and train staff
- Develop a marketing plan that involves outreach to patients and physicians
- Advertise your grand opening
- Do a final walkthrough
- Clean and detail every inch of the store
Like any business, a start-up pharmacy can be a risky and challenging endeavor, but the need for patient access to healthcare and pharmaceuticals is growing every day. That's why there's no shortage of pharmacy start-up success stories. However, the clear majority of them all have one thing in common: They aligned with a strategic partner to stack the odds in their favor.

Contact our Pharmacy Ownership Services team to learn more about how Good Neighbor Pharmacy can help you build the best independent pharmacy possible for your community.

Want to skip steps 1-5? →
Although the dream of starting your own pharmacy can be very enticing, sometimes it makes more sense to buy an existing store. Acquiring an established independent pharmacy saves you time and effort while allowing you to sidestep the risk of starting a new business, because you know you’re getting a proven operation with instant cash flow on Day 1. It’s also a safer bet for lenders, which makes it easier for you to get the loan you need.

There are plenty of independent pharmacy owners out there who have already done the heavy lifting, grown a successful business, built a powerful legacy and are now ready to retire. Contact us today if you would like to find out what acquisition opportunities are available in your area.
Good Neighbor Pharmacy is a family of locally owned, independent pharmacies united by their commitment to providing personalized care to their patients far beyond simply filling prescriptions.