

Business Plan Workshop (Part I)

Overall Strategy

Getting Started:

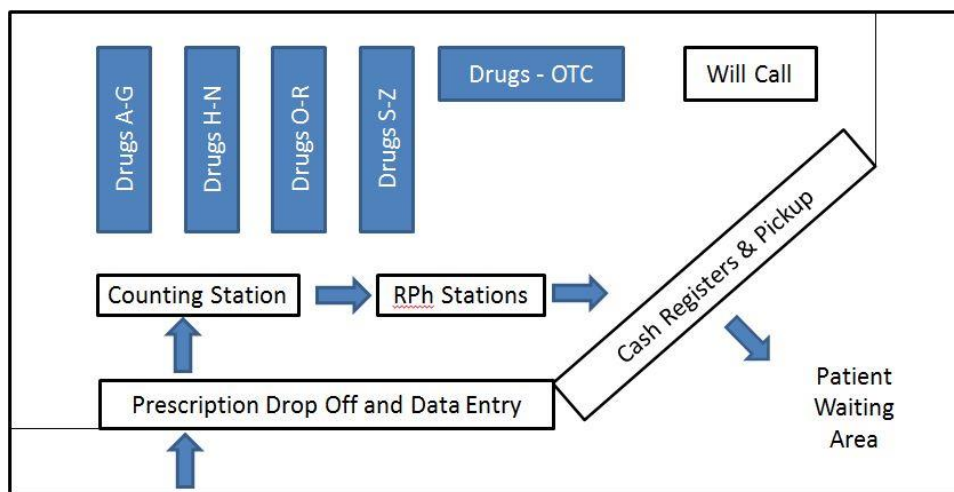
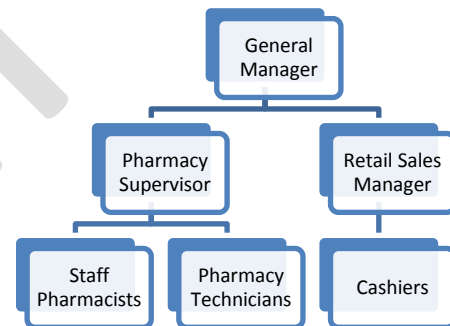
- Building an effective team
- Developing ideas
 - What do people need?
 - What do people want?
 - What will people demand?
- How will this business plan be evaluated?

Mission, Vision, Values (Executive Summary):

- Mission Statement – Clear, concise, inspirational
- Vision Statement – clear, concise, how the mission will be achieved

Description of Business:

- Legal: (LLC, S-Corp, C-Corp, Sole Proprietorship, Partnership)
- Hierarchy / Organizational Chart
- Products & Services
- Location analysis
- Insurance/Security
- Physical description:
 - Size, floor plans



Marketing Strategy

Market Analysis:

- First think about “Needs, Wants, and Demands” of different markets
- What product or service can you provide that people will be willing to pay for?

SWOT Analysis:

- Strengths, Weaknesses, Opportunities, and Threats
 - Internal Characteristics = S & W
 - External Factors = O & T



Market Characteristics:

- Market Segment - Subgroup of individuals based on a shared characteristic
 - Example: Geographic location, Demographics, Attitudes or behaviors
- Market Niche - “Niche” is the term used to define a much smaller market segment usually identified by a specialized need
 - Example: Disease specific like “Diabetes” or “Heart failure”

4 P’s of Marketing

1. Product
2. Place
3. Price
4. Promotion¹

4 Ps – Example of an MTM Service for a Retail Pharmacy	
Product (or Service) <ul style="list-style-type: none"> • MTM Program 	Place <ul style="list-style-type: none"> • Located physically at the pharmacy • Separate patient counseling room • Telephonic MTM option available
Price <ul style="list-style-type: none"> • \$50 per half hour session for comprehensive review • \$25 for “targeted” 15 minute review (ie: Diabetes medication focus) 	Promotion <ul style="list-style-type: none"> • Signs at pharmacy • Direct mail campaign to current customers

Marketing Budget:

- What marketing materials will you need?
- What marketing activities will you engage in?
- Based on your analysis, have you budgeted appropriately for marketing?

¹ Rosenthal G, Reed-Kane D. Understanding and applying marketing strategies. In: Chisholm-Burns MA, Vaillancourt AM, Shepherd M, eds. Pharmacy management, leadership, marketing, and finance, 2nd edition. Burlington, MA. Jones & Bartlett Learning. 2014:455-67.

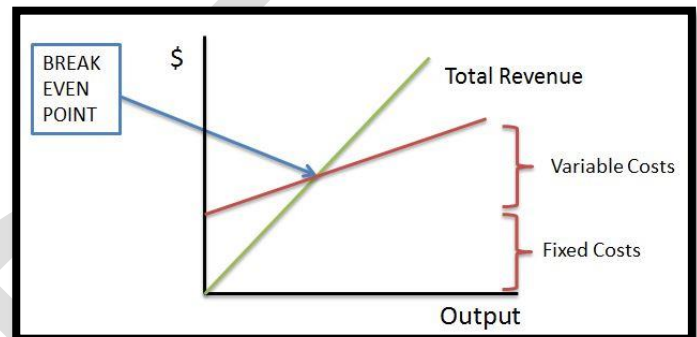
Finance (Part I)

Financial Assessment:

- Break-even analysis
- Projected sales, projected expenses & startup costs
- Pro-forma Financial Documents (first 1-3 years)
 - Income Statement (aka: Profit and Loss, P&L)
 - Balance Sheet
 - Cash Flow Statement

Break-Even Analysis:

- Point where Total Revenue (TR) equals Total Costs (TC)
 - Total Revenue = (Price per Unit) x (# of Units)
 - Total Costs = Fixed Costs + Variable Costs (cost per unit)
 - Total Costs = Fixed Costs + ((Cost per Unit)x(#units))
- How long until you are truly profitable?
 - How many (prescriptions/flu shots/MTMs) do you need to sell?



Total Revenue (Sales):

- What will you bring in to the “top line”?
 - How do you calculate this? Answer: Fiscally sound _____
 - What is “top line” vs. “bottom line”?
- Variable revenue
 - Very basic: sell one unit, get x amount of money
 - Sell more units, make more money...
- Fixed revenue
 - Contracts?
 - Membership dues?
 - Licensing fees?
- Pharmacy Reimbursement Data
 - Community Pharmacy:
 - NCPA Digest
 - National Association of Chain Drug Stores (NACDS)
 - Other types of pharmacies:
 - Specialty?
 - Mail order?
 - Ambulatory care?
 - Compounding?

Total Costs:

- Expenses & Startup costs²
 - Initial inventory (financing from wholesaler?)
 - Licensing and contract costs
 - Technology
 - Hardware (Computers, cash registers, etc)
 - Software (more licenses)
 - Administrative costs
 - Rent/lease for space, office supplies, furniture, insurance
 - Sales and Marketing
 - Wages and Personnel costs
- What other costs should you consider?
 - Any anticipated turnover?
 - Any inefficiency built in your model for new employees?
 - PF&D (Personal, Fatigue, and Delay)
 - Depreciation? (could be a good thing to account for)

Cash Flow:

- How soon will you start making money?
- Dollars in your ledger vs. dollars in your bank account
- Major challenge for new businesses: **CASH FLOW**
 - Cash vs. Third-party reimbursement (14, 30, 90 days?)
 - Employee wages – weekly, bi-weekly, monthly?
 - Accounts payable – 14, 30, 60, 90 days?
- What events involve the exchange of cash?
- What non-cash events look good on paper?
 - Increase in “Goodwill” or “Property value”
- What increases cash but may not be a good thing?
 - Increase in _____
- How much **CASH** will you need from the bank or investors to cover your expenses until you start generating enough cash from operations to cover them?



² Ferullo JW, Campagna NA, Crosby SJ, Scanlon JM. Pharmacy business and staff planning. In: Chisholm-Burns MA, Vaillancourt AM, Shepherd M, eds. Pharmacy management, leadership, marketing, and finance, 2nd edition. Burlington, MA. Jones & Bartlett Learning. 2014:105-126.