

**Establishing a New Pharmacy:  
Capital Requirements and Business Plan/Loan Package**

**Supplemental Materials**

**BUSINESS PLAN**

**For**

**Get Well Pharmacy, Inc.  
1433 Swensen Avenue  
Atlanta, Georgia 30310**

**Prepared by:**

**Harold J. Rhemstrand  
1436 Oak Street  
Atlanta, GA 30310  
(404) 871-6599**

## SUMMARY OF THE LOAN REQUEST

**Applicant:** Harold J. Rhemstrand  
1436 Oak Street  
Atlanta, GA 30310  
(404) 871-6599

**Business:** Get Well Pharmacy, Inc.  
1433 Swensen Avenue  
Atlanta, GA 30310

**Amount of Loan:** \$60,125

**Terms Requested:** Five years at current interest rate

**Collateral:** Owner will be providing \$60,125 cash to the business.  
In addition, the following collateral will secure the loan:

Inventory:	\$48,000
Fixtures	\$25,000

**Guarantee:** Owner agrees to sign personal guarantee for amount of loan

**Other Conditions:** Borrower will assign life insurance in the amount of the loan and keep it in force during life of the loan

Borrower will provide annual financial statements to lender

**Capitalization:**

Inventory	\$48,000
Fixtures	25,000
Expenses (3 months)	21,000
Accounts Receivable and Third Parties (50%)	21,250
Equipment	<u>5,000</u>
TOTAL	\$120,250

**Loan Repayment:** Loan will be repaid from the business' cash flow

**Debt/Equity Ratio:** \$60,125/\$61,125 = 1/1

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## **MISSION STATEMENT**

The mission of Get Well Pharmacy, Inc., is to provide comprehensive pharmaceutical care to the residents within its trading area through the provision of quality drug products and health care supplies and equipment, but more importantly, the availability of qualified, professional pharmacists to counsel patients, monitor drug therapy and assist physicians and other health care professionals in maximizing the quality of these patients' health care.

## **DESCRIPTION OF THE BUSINESS**

### **Legal Structure**

Get Well Pharmacy will be initially operated as a Subchapter S corporation. Officers of the corporation will be: Harold J. Rhemstrand, President; Mary Rhemstrand, Vice-President; and Sue Rhemstrand, Secretary. Harold Rhemstrand owns 100% of the business. Depending on future financial situations, the corporation may be changed from Subchapter S to a standard corporation.

### **Product Mix**

In addition to providing comprehensive prescription medications, Get Well pharmacy will provide a complete line of non-prescription products with an emphasis on providing generic equivalents of each. A limited inventory of health and beauty aids will be available with the emphasis being on products that are more health related. The pharmacy will also stock and make available for rent durable medical equipment such as hospital beds, wheelchairs, crutches, walkers, etc. The pharmacy will obtain a franchise through the Professional Compounding Centers of America (PCCA) which will make possible the provision of specially formulated prescription drug products prepared in final dosage form by the pharmacist.

### **Service Mix**

The following services will be provided by Get Well Pharmacy:

1. Maintenance of patient medication records
2. Screening of these records for drug related problems such as drug interactions, allergies and non-compliance
3. Counseling on all prescription medication to ensure appropriate use
4. Provision of information on the proper use of over-the-counter medication
5. Serve as a triage for the community providing advice on minor health problems and referring those in need to other health care practitioners

6. Serve as a wellness center, providing health screenings for hypertension and diabetes as well as providing information on health behavior
7. Provide emergency after-hours prescription service
8. Provide specialty compounding service for physicians' special medication needs
9. Provide delivery service for prescription drugs
10. Extend discounts on prescriptions to senior citizens and physicians in the community

## **LOCATION ANALYSIS**

### **Description**

The proposed site for Get Well Pharmacy is Swensen Avenue, located at the intersection of two major freeways and two major traffic arteries. Two other collector streets feed into or intersect Swensen Avenue. Traffic flow around and leading into the pharmacy parking lot is adequate and unimpeded. Several bus routes pass near the shopping center with passenger stops near the pharmacy.

The designated trade area (a two mile radius) has experienced a slow decline in overall population in the past 10 years (15.5 percent decline). Examination of the dwellings within the trade area indicates that most of the owners are generally lower middle to middle class, with an approximate annual income of \$18,400 per family. Racial composition of the trade area is approximately equally distributed with a low percentage of blacks in census tract 66 (15 percent) and a relatively high concentration in census tract 67 (64 percent).

Age composition of the trade area during the past ten years has undergone a subtle shift toward a more elderly population. In 1980 the percentage of the population age 65 and over was 14 percent, but in the most recent census the percentage of elderly had risen to 19 percent. The percentage of the population age 18 and under has remained unchanged over the ten-year period, at 24.2 percent. The significance of this population characteristic is in the amount of drug-related purchases made by these two segments of the population since individuals over 65 purchase between three and four times as many drug-related items as other segments of the population.

**Analysis of the Trade Area**

The trade area is bounded by University Avenue on the north, Pryor Road on the east, Cleveland Avenue on the south and Murphy Avenue on the west.

Contained within this area are parts of four census tracts from which data for this analysis was abstracted. Total estimated population for the trade area is 21,426 (based on census data).

Potential sales volume for the trade area is indicated in Table 1 below. It is anticipated that the primary trade area will generate a total of \$2,048,858 in the current year.

**Table 1**  
**Potential Sales Volume for the Trade Area**

<b>Census Tract</b>	<b>Total Population</b>	<b>Number of Families</b>	<b>Percentage In Trade Area</b>	<b>Potential Sales</b>
66	2,730	601	100%	\$614,250
67	5,914	2,100	68%	904,842
70	8,970	2,222	8.4%	169,532
75	3,812	885	42%	360,234
<b>Totals</b>	<b>21,426</b>	<b>5,808</b>		<b>\$2,048,858</b>

*Based on estimated annual per capita pharmacy purchases of \$225*

**Assessment of the Competition**

Competition with the trade area will come from five pharmacies (four chain, one independent) and retail establishments located in two neighborhood shopping centers and one small shopping center. Due to the prescription orientation of the proposed Get Well Pharmacy, it is anticipated that most of the competition will result directly from the five pharmacies. (See Table 2.)

**Table 2**  
**Established Pharmacies in Primary Trade Area**

<b>Name</b>	<b>Location</b>	<b>Type</b>
A. Smith Discount Drugs	Stewart Avenue & Langston	Chain
B. Super M	Stewart Avenue (Zayre Shopping Center)	Chain
C. Treasury Drugs	Stewart Avenue & Cleveland Avenue	Chain
D. Leeds Discount Drugs	Sylvan Avenue & Perkerson Road	Chain
E. B & J Drugs	Sylvan Avenue & Perkerson Road	Independent

Estimated sales volume captured by existing pharmacies in the trade area is approximately \$2,807,000 annually. Not all of this amount is generated solely by residents within the trade area. Listed in Table 3 is an estimate of the total sales for each pharmacy within the trade area and the amount (as a percentage) of that sales figure that is generated by residents in the trade area. This figure represents the degree to which competitive drugstores have trade areas that overlap with the trade area of the proposed pharmacy.

Annual sales for each pharmacy was estimated by visits to each pharmacy, noting the number and type of each employee, estimating their annual salaries, adding them and multiplying by 6.6. Employee wages in a retail pharmacy make up approximately 15 percent of annual sales, therefore 6.6 times total wages approximates annual sales.

**Table 3**  
**Survey of Competitive Drugstores**

Name	Annual Sales	Overlap	Amount
A. Smith Discount Drugs	\$818,000	75%	\$613,500
B. Super M	\$554,000	80%	\$443,200
C. Treasury Drugs	\$725,000	15%	\$108,750
D. Leeds Discount Drugs	\$495,000	50%	\$247,500
E. B & J Drugs	\$215,000	50%	\$107,500
<b>Totals</b>	<b>\$2,807,000</b>		<b>\$1,520,450</b>

Reduction of the total pharmacy expenditures (\$2,048,858) generated in the trading area by this figure (\$1,520,450) produces an approximation of the market share that could be captured by an ideal pharmacy in this location. This figure for the Get Well Pharmacy is approximately \$528,408. A pharmacy with 100 percent efficiency at this location would capture this entire amount in potential sales. The estimated efficiency of the proposed pharmacy is approximately 80 percent\*. The anticipated potential sales volume for the proposed pharmacy is, therefore, \$422,726 ( $\$528,408 \times .80$ ). From this figure it is conservatively estimated that first year sales will be approximately \$255,000.

\* Based upon evaluation of each of the following:

1. Size
2. Shape
3. Front
4. Parking
5. Foot Traffic
6. Auto Traffic
7. Nearness to Traffic Pulling Merchants
8. Nearness to Prescribing Doctor
9. Nearness to Health Facilities

## **Organizational Structure and Management**

The president of Get Well Pharmacy is Harold J. Rhemstrand and he will serve as the manager and pharmacist. During the initial year a part-time clerk will serve as the only other employee. As sales increase, additional personnel will be added.

## **Insurance**

Appropriate fire and theft insurance will be secure for the inventory and fixtures and equipment. In addition, professional liability insurance will be obtained for the pharmacy and the individual pharmacists who work in the pharmacy. The pharmacy will provide as a fringe benefit health and life insurance for the owner.

## **Security**

In addition to the usual precautions in design and lighting, special measures will be taken to provide for the safety of employees and security of property. In terms of burglary prevention, a burglar alarm system will be installed that will provide an audible alarm on site as well as notify the local police department. For robbery prevention, a silent alarm will connect the pharmacy prescription department with the local police department. Fire prevention will be provided through the sprinkler system, which is installed in the building to be leased.

# MARKETING PLAN

## **Potential Market**

The trade area is bounded by University Avenue on the north, Pryor Road on the east, Cleveland Avenue on the south and Murphy Avenue on the west.

Contained within this area are parts of four census tracts from which data for this analysis was abstracted. Total estimated population for the trade area is 21,426 (based on census data).

Potential sales volume for the trade area is indicated in Table 1 on page 8. It is anticipated that the primary trade area will generate a total of \$2,048,858 in the current year.

Based on conversations with other pharmacists in the area, it is estimated that approximately 50% of prescriptions filled in the area are third party. This is considerably below the national coverage, indicating greater profit potential. Further, the trading area is not dominated by a few large employers, which could change to a service benefit prescription plan and, thereby, increase the number of third party prescription patrons.

## **Target Market**

The marketing strategy for Get Well Pharmacy, Inc., will emphasize the service component of professional pharmacy practice. Therefore, the target market will be those individuals who are service rather than price oriented. Strong efforts will be made to communicate the value of pharmaceutical care and service to the community. The emphasis on service will provide a significant competitive advantage over other pharmacies in the area that are not service-oriented. Careful analysis of the competition in the primary market indicates that a market for a service-oriented pharmacy exists.

The growing population of the market in the over 65 age group is important in that they take more than twice the average number of prescriptions per year. Special efforts will be taken to attract this segment of the market.

### **Competition**

Competition with the trade area will come from five pharmacies (four chain, one independent) and retail establishments located in two neighborhood shopping centers and one small shopping center. Due to the prescription orientation of the proposed Get Well Pharmacy, it is anticipated that most of the competition will result directly from the five pharmacies. (See Table 2, page 9)

Estimated sales volume captured by existing pharmacies in the trade area is approximately \$2,807,000 annually. Not all of this amount is generated solely by residents within the trade area. Listed in Table 3, page 10, is an estimate of the total sales for each pharmacy within the trade area and the amount (as a percentage) of that sales figure that is generated by residents in the trade area. This figure represents the degree to which competitive drugstores have trade areas that overlap with the trade area of the proposed pharmacy.

Four of these pharmacies are chain pharmacies and are price oriented and therefore will not be attempting to attract the same target market. The other pharmacy, an independent, offers few pharmaceutical care services, therefore, it is expected that Get Well Pharmacy will be able to achieve a significant differential advantage over the competition. No significant competition is expected from mail order inasmuch as few of the potential customers work for large firms that would offer health insurance to its employees requiring mail order prescriptions. Further, few of the elderly population are members of AARP, which has a mail order prescription program.

## **Advertising and Promotion**

Get Well Pharmacy, Inc., will promote its participation in recognized health programs (e.g., hypertension screening, diabetes detection), involvement in patient-oriented services (e.g., patient medication profiles, patient counseling) and the provision of health-related services (e.g., delivery, emergency service, durable medical equipment) through local newspapers (at least once per week), radio advertisements and circulars distributed in the trading area. Additional promotional material will be used with new customers that will elaborate on the services available from Get Well Pharmacies, Inc., and describe health programs offered. A significant aspect of the services provided by the pharmacy will be personal attention to the individual needs of customers, in particular, the elderly patients patronizing the pharmacy.

The second area of emphasis will be promotion of pharmacy services to physicians in the area. Personal detailing of the services available from the pharmacy will be directed to all physicians, dentists and other health professionals within the primary market. It is felt that a service-oriented pharmacy must promote these services to physicians and patients if it is to be successful.

### **Specific marketing activities will include:**

- Large sign on building: "GET WELL PHARMACY, INC." (Special lighting at night)
- Questionnaires will be sent to local doctors asking them what services they would like offered by the pharmacy
- Questionnaires will be sent to local residents asking them what services they prefer in a pharmacy
- After the questionnaires are examined, flyers will be sent to doctors and citizens detailing the specific services which Get Well Pharmacy, Inc. offers

- Radio spots will be placed detailing that Get Well Pharmacy, Inc. is a service-patient-and-price-oriented pharmacy that provides the kinds of service which physicians in the area desire and demand
- Monthly health screenings will be advertised on radio and in newspapers, with a registered nurse to do all the screenings
- Newspaper ads will be taken out in the three local newspapers detailing the services of the pharmacy – at least three ads per week
- A Yellow Pages ad will be developed

## PHYSICAL DESCRIPTION OF THE BUSINESS

A layout and floor plan for Get Well Pharmacy, Inc. will be provided on request.

- A. Exterior
  - a. 100' x 150' lot
  - b. Front parking for 10 automobiles (beginning 5' from road and extending 49' to store front sidewalk)
  - c. 20' x 114' drive past drive-through window on right side of building
  - d. 20' x 66.5' drive along back of building allowing 36' deep to back of lot for employee parking
  - e. 32' x 30' parking area on left side of building with a 20' x 114' drive to road
  - f. Building has 3 plate glass windows with remainder of building brick
  - g. 3' sidewalk on front and left side of building with 3' entrances on each of these sides
  - h. Street door with buzzer and peephole in rear of building
  - i. Drive-through window with bullet-proof glass
  
- B. Interior
  - a. 2500 square feet total
  - b. Wall-to-wall carpet
  - c. 80% of total store = OTC drug department (2,000 sq. ft.)
    - i. 3'-5' tall x 11.5' long white metal shelves placed perpendicular to front, with room for a merchandise carousel at each end
    - ii. On left side of store, a Coke machine will be placed in front center with floor-to-ceiling shelves extending 16' from Coke machine to side entrance

- iii. Right side of store beginning in front corner will have floor-to-ceiling shelves extending 12' along wall. A convalescent aids floor display will sit at end of shelves measuring 4.5' long
- iv. 12' long x 14' deep vitamin area will run length of dispensing counter
- v. To right of vitamins will be a 27" wide curtain wall and a 5' wide service counter equipped with cash register
- vi. Prescription department = 20% of total sq. ft. (500 sq. ft.)
  - 1. Dispensing counter = 12' x 2' with an L-shaped extension 4' x 2' equipped with sink and 2 cabinets with doors below sink and one cabinet with doors above sink
  - 2. 5' behind dispensing counter will be 3 floor-to-ceiling shelves, perpendicular to dispensing counter, which extend 3' back into 10.5' long shelves parallel to dispensing counter. At left end of these shelves will be a refrigerator
  - 3. Right side of prescription area is a drive-through window 46" wide, with a pick-up counter atop the narcotics safe on one side and a 9' long check-in counter on the other
  - 4. 5% total sq. ft. (125 sq. ft.) = an office off to left of prescription department equipped with two filing cabinets and a lavatory
  - 5. Lavatory includes toilet, sink and shower
  - 6. 390 sq. ft. = storage area in rear with 72" tall and 11' long shelves

## FINANCIAL DOCUMENTS

### Sales Forecasts for First Year

Month	Retail Sales	% Increase**
1	\$10,000	-
2	11,500	15
3	13,110	14
4	14,945	14
5	16,888	13
6	19,083	13
7	21,373	12
8	23,938	12
9	26,571	11
10	29,494	11
11	32,444	10
12	35,688	10

TOTAL                    \$255,034\*\*\*

*\* Based upon projected average prescription volume in first month of fifteen prescriptions per day, six days a week at an average prescription charge of \$25).*

*\*\* Percent increase by month in initial year based upon recent NCPA Foundation Study.*

*\*\*\* See location analysis for comparison.*

## Initial Monthly Expense and Cash Outflow Projection

Manager's Salary	\$3,000
Employee Wages	800
Rent	1,000
Utilities	300
Telephone	200
Accountant/Legal	200
Insurance	200
Advertising	200
Supplies & Postage	100
Loan Payment	<u>1,000</u>
<b>Total Monthly Expenses</b>	<b>\$7,000</b>

## CASH FLOW PROJECTION

SALES FORECAST	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Sales (70%)	7,000	8,000	9,177	10,461	11,821	13,358	14,961	16,756	18,599	20,645	22,710	24,981
AR (30%)	3,000	3,450	3,933	4,483	5,066	5,784	6,411	7,181	7,971	8,848	9,733	10,706
Total Sales	10,000	11,500	13,110	14,945	16,888	19,083	21,373	23,938	26,571	29,494	32,444	35,688
RECEIPTS												
Cash Sales	7,000	8,050	9,177	10,461	11,821	13,358	14,961	16,756	18,599	20,645	22,710	24,981
75% prior mo. AR	0	2,250	2,587	2,949	3,362	3,799	4,293	4,808	5,385	5,978	6,636	7,299
25% prior 2 mo. AR	0	0	750	862	983	1,120	1,266	1,431	1,602	1,795	1,992	2,212
Total receipts/MO	7,000	10,300	12,514	14,272	16,166	18,177	20,520	22,995	25,586	28,418	31,338	34,492
DISBURSEMENTS												
Purchases (70%)	0	7,000	8,050	9,177	10,461	11,821	13,358	14,961	16,756	18,599	20,645	22,710
Expenses/Pmts.	7,000	7,000	7,000	7,000	7,000	7,000	8,000	8,000	9,000	9,000	10,000	10,000
Total Cash Pmts.	7,000	14,000	15,050	16,177	17,461	18,821	21,358	22,961	25,756	27,599	30,645	32,710
Monthly gain (loss)	0	(3,700)	(2,536)	(1,905)	(1,295)	(544)	(838)	34	(170)	819	693	1,782
Cum. gain (loss)	0	(3,700)	(6,236)	(8,141)	(9,436)	(9,980)	(10,818)	(10,784)	(10,954)	(10,135)	(9,442)	(7,660)
Cash on Hand	33,000	29,300	26,764	24,859	23,564	23,020	22,182	22,216	22,046	22,865	23,558	25,349

## Pro Forma Income Statement (First Year of Operation)

### Income

Sales-Rx	\$191,275
Other	<u>63,759</u>

Total Sales	\$255,034
Cost of Goods Sold (70%)	\$178,523

**Gross Profit** **\$76,511**

### Expenses

Owner's Withdrawal	\$36,000
Employee's Wages	9,600
Rent	12,000
Utilities	3,600
Telephone	2,400
Advertising	2,400
Insurance	2,400
Accounting/Legal	2,400
Interest/Expense	10,200
Supplies/Postage	1,200
Taxes	1,000
Licenses/Fees	300
Miscellaneous	<u>1,000</u>

**Total Expenses** **\$84,500**

**Net Profit (Loss)** **(\$7,989)**

## Pro Forma Balance Sheet

### Get Well Pharmacy, Inc. – End of First Year of Operations

#### Assets

##### Current Assets

Cash \$25,000

Inventory \$33,000

Accounts Receivable \$13,000

Total Current Assets \$71,000

Fixed Assets \$20,000

**Total Assets** \$91,000

#### Liabilities

##### Current Liabilities

Accounts Payable \$17,500

Notes Payable (within one year) \$12,000

Total Current Liabilities \$29,500

##### Long Term Liabilities

Notes Payable (later than one year) \$40,000

**Total Liabilities** \$69,500

**Net Worth** **\$21,500**

# SUPPORTING DOCUMENTATION

## Curriculum Vitae

### Harold J. Rhemstrand

1436 Oak Street  
Atlanta, GA 30310

### Education

Doctor of Pharmacy Degree  
Mercer University, Southern School of Pharmacy  
Atlanta, GA  
1985-1990

Pre-Pharmacy  
University of South Florida  
Tampa, FL  
1983-1985

### Employment

Super A Drugs – Manager 1990-1994  
410 Elm Street  
Atlanta, GA

Served as Chief Pharmacist and Manager; responsible for all purchasing for prescription department and out-front merchandise; had responsibility for all hiring and training of employees; periodically analyzed financial condition of store.

Oak Grove Pharmacy – Student Intern  
1447 La Vista Road  
Decatur, GA

### Educational Clerkships

Advanced Community Practice  
North Fulton Apothecary  
Roswell, GA

Geriatric Medicine  
DeKalb General Hospital  
Decatur, GA

Pharmacokinetics  
Georgia Baptist Medical Center  
Atlanta, GA

Mental Health  
Georgia Mental Health Institute  
Atlanta, GA

Neontology  
Crawford Long Hospital  
Atlanta, GA

Internal Medicine  
Veteran's Administration Hospital  
Decatur, GA

**Professional and University Organizations**

Rho Chi National Pharmacy Honor Society  
American College of Apothecaries Student Association  
Kappa Psi Pharmaceutical Fraternity  
American Society of Hospital Pharmacists

**Honors and Awards**

Phi Lambda Sigma National Pharmacy Leadership Society  
Who's Who Among Students in American Universities and Colleges  
Outstanding Young Men of America Award  
Rho Chi National Pharmacy Honor Society

## Personal Financial Statement

Harold J. Rhemstrand

December 31, 1993

### Assets

Cash on Hand	\$18,000
Automobiles	10,000
Life Insurance (cash value)	1,000
Furniture	<u>10,000</u>
<b>Total Assets</b>	<b>\$39,000</b>

### Liabilities

Notes payable (for student loans)	<u>\$20,000</u>
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**Net Worth** **\$19,000**

Mr. Rhemstrand earns \$70,000 a year as a pharmacist manager for Super A Drugs in Atlanta, Georgia. Currently, he pays \$300 per month on his student loan and has other normal living expenses.

### Lease

Lease is currently in negotiation. Borrower will supply lending institution with copy when finalized.

## **SUGGESTED READING**

A Business Plan – Planning for the Small Business

A. West

Nichols Publishing Company, New York, 1988

Business Planning Series, U.S. Small Business Administration  
“Business Plan for the Small Retailer”

The Business Plan Workbook

G.A. Cooper

Prentice Hall, Englewood Cliffs, NJ, 1989

How to Write a Winning Business Plan

J.R. Manusco

Prentice Hall, New York, 1985