

Writing a Business Plan for a New Pharmacy Service

Monograph 23



A Continuing Education Series supported by an educational grant from



Writing a Business Plan for a New Pharmacy Service

By putting their plans in writing before implementing new services, pharmacists are more likely to attain long-range goals and achieve success.

Reviewed by Randy McDonough

A business owner who fails to plan, plans to fail.

Covello and Hazelgren¹

In the past decade, pharmacists have begun offering an expanding array of patient care services, from self-care counseling and medication therapy management (MTM) to specialized services, such as diabetes education and immunization programs.²⁻⁴ Having identified a compelling area for a new patient care service, many pharmacists are understandably eager to leap ahead to implement it. However, before moving forward with service delivery, pharmacists are advised to engage in an essential but often overlooked preparatory step: developing a business plan.

A business plan is a formal document that fleshes out the details of a business idea—in this case, a new or expanded pharmacy service. It specifies the components of a business strategy, including the mission statement, external and internal environments, and opportunities and threats to the practice. A business plan has been likened to a “current and

futuristic x-ray of the business.”⁵ It gives readers a picture of the pharmacy’s current practice and operations, then articulates a vision for the future. A well-constructed plan precisely defines the proposed pharmacy service, states its exact mission and goals, and provides a clear but flexible road map for implementation and evaluation. It is wise to develop a formal business plan before a new venture is started or a major new initiative is launched.

A thoughtful business plan serves several important functions—it is a communication tool, a management tool, and a planning tool. If a bank loan will be needed to finance a new pharmacy service, a business plan usually is required to demonstrate the financial feasibility and merits of the venture. However, even when external investors are not needed, a business plan offers many benefits. During the process of writing the plan, the pharmacist-author must clearly formulate the concept and implementation of the new service to foresee possible roadblocks—and devise routes around them—before start-up.

A business plan is a powerful communication tool. It can be used to convey the goals, mission, and operating plan for the pharmacy service with employees and senior management. The plan also can be used to help develop partnerships with external stakeholders, such as physicians who are considering a collaborative relationship with the pharmacy as well as employers who may want to purchase pharmacy services as a health benefit for workers.

This article provides an overview of the key steps in writing a business plan, with an emphasis on planning for pharmacy-based services.

Preparing to Write a Business Plan

Every year, approximately one million new businesses are started in the United States. However, only 200,000, or one in five, survive until their fifth anniversary.⁵ In many cases, lack of planning is a primary reason for these business failures. Common reasons for failure to plan include a lack of time and the notion that simply having a good entrepreneurial idea in one’s mind is sufficient. For pharmacists whose daily responsibilities do not involve much writing, another

Learning Objectives

After reading this article, the pharmacist will be able to:

- ▲ Explain the purpose of a business plan and name three functions for which it can be used.
- ▲ List the core components of a typical business plan.
- ▲ Explain the difference between a market analysis and a marketing strategy.
- ▲ Describe the financial statements and projections that are usually included in a business plan.
- ▲ Discuss the uses of the business plan after it is written.

barrier may be lack of experience and confidence with drafting copy. To help surmount these initial obstacles to writing a business plan, the following suggestions may be helpful:

- ▲ *Begin well in advance of the proposed date for service start-up.* As a general rule, the business plan should be developed at least 6 months before implementing the new service.⁵ More time may be needed if the venture will require funding from external investors, entry into a new and untested market, or construction of new facilities. It is important to allow sufficient time to research the market for the intended service. Meeting with key stakeholders (e.g., local physicians, potential third-party payers) also may be necessary to determine if the service is feasible.
- ▲ *Choose a time and place that is conducive for regular work on the business plan.* Pharmacists who have some flexibility in their schedules may be able to set aside some time at work for research and writing without interruption. Alternatively, it may be more helpful to find a secluded place away from the pharmacy or office, such as a quiet spot in the local library or at home. Whatever the situation, giving time and thought to your new service is essential. The more time that you put into planning, the greater the rate of success will be for the new venture.
- ▲ *Take advantage of resources for writing a business plan that can make the process more efficient, focused, and even fun.* Many print, software, and Internet resources are available to assist pharmacists in writing their plans (Table 1). For example, the U.S. Small Business Administration (SBA) has devoted an area on its Web site for starting a business, including a detailed tutorial on writing a business plan. Assistance also may be available through regional SBA offices or a local business school, which may offer resources to assist small businesses and entrepreneurs.

Although a freelance writer or consultant can be hired to write the business plan, most experts recommend that entre-

Table 1.
SELECTED RESOURCES FOR WRITING A BUSINESS PLAN

PRINT RESOURCES

Hagel HP, Rovers JP, eds. *Managing the Patient-Centered Pharmacy*. Washington, DC: American Pharmaceutical Association; 2002.

Schumock GT, Stubbings J. *How to Develop a Business Plan for Pharmacy Services*. Lenexa, KS: American College of Clinical Pharmacy; 2007.

ONLINE RESOURCES

Center for Business Planning

Business plan software, samples, and strategy
<http://www.businessplans.org>

Entrepreneur.com

Business plans
<http://entrepreneur.com/businessplan/index.html>

Howard University Small Business Development Center

Business plan outline
<http://www.ntia.doc.gov/opadhome/mtdpweb/busplano.htm>

Small Business Administration

Small business planner
<http://www.sba.gov/smallbusinessplanner/index.html>

preneurs write their own plans. By personally drafting the plan, section by section, the pharmacist is compelled to carefully consider the feasibility of the service and the logical steps for successful implementation. In this way, erroneous assumptions and other serious flaws can be identified and corrected early in the planning process, before they damage (or doom) the venture's chance of success.

Starting With a Good Idea

No matter how thoroughly researched and well written the business plan might be, a business cannot survive unless it is based on a sound concept. Before writing the plan, take time to carefully consider your idea and make it as strong as possible. You may choose to model your service on another successful practice, such as the Asheville Project.^{6,7} Or, you may opt to examine the services that are currently compensated by third-party payers (including Medicare Part D MTM programs, Medicaid, and self-insured employers), and develop a service that meets their requirements. Alternatively, you may use your creativity and imagination to envision a unique business that stands out in the marketplace.

Reviewer

Randy McDonough, PharmD, MS, CGP, BCPS
Co-owner and Director of Clinical Services
Towncrest and Medical Plaza Pharmacies
Iowa City, Iowa

Financial Disclosure

Randy McDonough, PharmD, MS, CGP, BCPS, declares no conflicts of interest or financial interests in any product or service mentioned in this program, including grants, employment, gifts, stock holdings, and honoraria. APhA's editorial staff declares no conflicts of interest or financial interests in any product or service mentioned in this program, including grants, employment, gifts, stock holdings, and honorarium.

Once the business idea is formulated, have faith in the concept and try not to be discouraged if some skeptics do not believe in its merits.

Developing a Mission Statement

Before beginning to write the plan, it is useful to develop a concise and clearly worded mission statement that briefly describes your business or practice, what it intends to accomplish, and for whom it will be provided. As new services are developed each should have its own mission statement that is consistent with the overall mission statement of the practice (Figure 1).

A simple way to test the clarity of the business concept is to try to state the idea clearly and succinctly in about 1 minute.⁸ If the pharmacist has trouble stating exactly what he or she proposes, it raises a red flag that elements of the basic idea may not have been sufficiently considered.

Writing a mission statement will help ensure that the concept for the plan is sound and well formulated. The authors of *Managing the Patient-Centered Pharmacy* recommend that the following elements be included in the mission statement⁹:

- ▲ *Intended customers.* Which groups of patients are likely to use your services? Would other stakeholders also benefit from or have an interest in your services, such as local physicians?
- ▲ *Core values.* What professional values will guide your dealings with patients and other health care providers?
- ▲ *Services and products.* What kinds of services and products will the patient care program offer?
- ▲ *Goals and philosophy.* What specific objectives are you trying to achieve? What benefits will patients attain from using your services?
- ▲ *Desired public image.* How would you like the public to view your services?

Gathering Documentation for the Business Plan

To make the business plan compelling and persuasive, facts about the need for the service and its anticipated benefits should be researched and documented. It is important to gather sufficient detail to make the plan credible and convinc-

ing to potential investors and other intended audiences.

Gathering research data *before* writing the plan will make the writing process more efficient. A useful strategy is to start with a list of fundamental questions that need to be answered (e.g., how many patients in the pharmacy's service area have a particular disease or unmet health need?) and resources that are likely to provide the answers. When the research questions are clearly formulated, an assistant (e.g., a student pharmacist, technician) may be able to help obtain the information.

Pharmacists can gather much of the necessary information from journal articles, professional and trade associations, and government resources. Knowledgeable professionals in the community, such as a local or university reference librarian, county health department official, or pharmacy school faculty, also may be helpful resources. Several Web sites offer tools that can facilitate research for business plans, including the SBA (<http://www.sba.gov>).

Business Plan Components

The business plan components shown in Table 2 are the core features commonly included in most plans. However, there is no single way of preparing a business plan, and alternative formats can be found in various references.^{5,8-12}

Typically, a business plan ranges from 30 to 40 pages (not including appendices, which may vary in length). However, in some situations, a plan of 10 pages or fewer may be sufficient. For example, a plan that will be read only by the pharmacy's senior executives probably can be brief, while a plan intended for bank loan officers, who presumably know little about pharmacy, should be more detailed.

To make the plan visually appealing, look for opportunities to present some information in the form of charts, graphs, or photographs. For example, the section on operations might show a photo of the patient care area, the man-

Figure 1.

EXAMPLE OF A MISSION STATEMENT FOR A MEDICATION THERAPY MANAGEMENT SERVICE

The medication therapy management service at XYZ Pharmacy aims to comprehensively review patients' use of medications to identify and resolve drug-related problems and to improve patients' clinical and financial outcomes.

Table 2.

CORE COMPONENTS OF A BUSINESS PLAN

1. Cover and title page
2. Executive summary
3. Table of contents
4. Business description
5. Service description
6. Marketing plan (market analysis and marketing strategy)
7. Financial plan (financial statements and projections)
8. Management team
9. Operations
10. Appendices

agement section might show a flowchart of the organizational structure, and the marketing section might include a graph detailing the size of the patient population (e.g., new cases diagnosed yearly on a local or national basis) that may use the service.

Title Page

The title page identifies the pharmacy and the name of the proposed service, the physical addresses, telephone numbers, and e-mail addresses where the principals can be reached, and the name of the person who wrote the business plan. Keep the title page simple and brief, but also attractive and neat.

Executive Summary

The executive summary, which is sometimes compared with the abstract in a medical journal article, captures the essence of the business plan. This section provides a succinct overview (usually 1 or 2 pages) of the pharmacy's present status and future direction. It highlights key points in the plan, summarizes the main objectives and purpose of the service, explains financial and professional target goals, and describes principals' work experience and past successes.

Although the executive summary is the first major section readers see, it usually is written last, after the author has had a chance to think and rethink the plan. This section needs to catch readers' attention and excite them about the potential rewards and benefits of the service, so they are motivated to read the rest of the plan.

Description of the Business

This section provides a brief description and history of the pharmacy's current business in order for readers to have a frame of reference to understand how the new service will fit into existing operations. This section typically answers questions such as these:

- ▲ What are the pharmacy's physical layout, location, and hours of operation?
- ▲ How many and what types of employees does the pharmacy have?
- ▲ How many prescriptions are filled daily, on average?
- ▲ What services and products are offered currently?
- ▲ How would you describe the pharmacy's human resources, such as staff training, work ethic, and commitment?

Description of the Service

After summarizing the pharmacy's current business, describe the proposed service and how it will build upon existing operations and strengths. Using the mission statement as a touchstone, clearly explain what the service is, how the service will be performed, and who will provide the

service. Also mention the key indicators that will be used to define and measure progress toward the goals of the new service. Examples of monthly key indicators used to measure the progress of a pharmacy service include the number of patient appointments, the number of new referrals, and income from the patient care service.

Marketing Plan

This section, which can be viewed as a plan within a plan, answers essential questions about the market for the proposed service: Who will buy and pay for it? How large is the market? What particular segments within the broader market will be targeted? How will you educate various stakeholders about the service?

The first part of the marketing plan, the market analysis, describes the target market for the service and explains how the service will be differentiated from the competition. The second part, the marketing strategy, describes methods to promote the service to patients and other interested stakeholders.

Market Analysis

Generally, the market analysis includes a SWOT analysis, which assesses the pharmacy's strengths and weakness in the context of the opportunities and threats in the external environment.^{12,13} A number of references are available to help pharmacists perform a SWOT analysis, including a detailed worksheet in *Managing the Patient-Centered Pharmacy*.⁹

Examples of strengths include staff training or certification (e.g., certified diabetes educator, board certified pharmacotherapy specialist), a loyal patient base, a large proportion of patients with third-party coverage for the service, or a high-volume location. The plan also should describe intangible strengths, such as the pharmacy's excellent reputation in the community or strong relationships with local physicians. Weaknesses include any barriers that may hinder the delivery of high-quality service, such as low employee morale, poor pharmacy design, workflow problems, or lack of third-party payers.

The market analysis should provide information about unmet health needs in the community that the new service can fulfill. This information can be gleaned from a variety of sources, such as surveys of existing or prospective customers, focus groups with pharmacy patrons, and analysis of local demographic data. (Note that data from the U.S. Census [<http://www.census.gov>] can provide local demographic information for areas as small as individual blocks.)

Analysis of pharmacy records is another useful method to gather information about a target market. By analyzing electronic dispensing data, pharmacists can determine how many and what percentage of their customers have certain conditions (e.g., heart disease, diabetes) and how often patients come to the pharmacy.

Information on the pharmacy's competitors and an explana-

tion how the service will stand out from others in the marketplace should be provided in the market analysis. Do other pharmacists in the area provide similar services and, if so, what types? How are they compensated for their services?

Pharmacists may choose to develop a table to compare and contrast their competitors and to assess their strengths and weaknesses. By using this format, managers could more easily see threats to their business and develop strategies to overcome them. The worksheet shown in Figure 2 is a useful tool for gathering and presenting information about local competitors.¹¹

The market analysis also should identify other partners who may have an interest in the planned service. Physicians are a particularly important group, because, when favorably impressed, they may refer patients to the pharmacy. Employers, especially those who self-fund their workers' health benefits, constitute another potential market for pharmacy services. If the pharmacy expects to collaborate with local physicians or employers, consider asking these intended partners to write letters indicating their support for and interest in the new service. These letters can be included in the appendices of the business plan to provide further evidence of need for the service and anticipated use.

Marketing Strategy

This section of the plan presents the pharmacy's strategy for promoting the service to the intended target market. It includes strategies for market penetration, business growth, and communications. The business plan should explain how promotional strategies have been designed to reach the target market. It should discuss sales strategies that will be used by the practice and whether a person or persons need to be hired to promote the service.

Examples of promotional activities that may be part of the marketing plan include a direct mail campaign to prospective patrons, special events or presentations at the pharmacy to introduce the service, and participation in community events, such as health fairs. Radio, television, and newspaper advertisements are other common ways to promote services. If a newspaper advertisement, flyer, or brochure has been developed for the service, this material can be added to the appendices of the business plan.

If relationship marketing techniques are an important component of the overall marketing strategy, briefly describe their use in the plan. Relationship marketing emphasizes the use of personal selling skills to inform prospective patrons of the features and benefits of the service.¹⁴ Briefly explain how the pharmacy intends to implement this strategy, such as by training employees to screen prospective patrons for the service and refer candidates to the pharmacist for more information.

The business plan should include an accurate estimate of the anticipated costs for advertising and promotional activities. Investors are well aware that failure to budget adequately for marketing activities can derail a new service before it has a chance to become established. Mass-media advertising, in particular, can be a significant expense. It is important to ensure the pharmacy has adequate cash flow to fund advertising and other marketing expenses. Projected costs are discussed further in the Financial Plan section of this monograph.

To detail the pharmacy's marketing strategies and associated costs, the business plan may include a chart that shows planned marketing activities and expenses on a month-by-month basis for the first year of service. By summing total expenses for the year, the chart can show the annual budget for advertising and promotion. Also consider implementing a

Figure 2.

COMPETITOR PROFILE WORKSHEET

	Competitor #1	Competitor #2	Competitor #3
Name of competitor			
Location			
Service offered			
Marketing strategy			
Image and reputation			
Pricing structure			
Strengths			
Weaknesses			

Source: Adapted from Reference 11.

mechanism to track the success of advertising and promotional strategies, so future advertising dollars can be spent efficiently. One simple technique: when gathering information from new patients, include a question that asks how they learned about the pharmacy service.

Financial Plan

The financial section in the business plan gives a dollars-and-cents view of the proposed service. This section shows the revenue a new service is expected to generate from sources such as consulting fees and product sales, and anticipated expenses, which typically include staff time, marketing costs, rent, utilities, supplies, and equipment. The plan should project a break-even point for the service (the point in time when revenues will meet expenses).

Typically, the business plan includes projections of revenue and expenses for years 3 and 5 after start-up.¹⁵ A clear explanation of the underlying assumptions upon which the projections are based should be included. For example, if the revenue projection for the first year is based on 10 patients per week using the service, the plan should state why this number of customers can reasonably be expected. Generally, it is best to use moderate assumptions and avoid inflated estimates that are unlikely to be realized. The plan may include low, moderate, and high estimates for revenue, based on varying assumptions for the level of demand.

To develop the financial section, pharmacists need to look critically at all potential sources of income and the costs associated with their proposed services. A pharmacy business reference such as the *Digest* from the National Community Pharmacists Association can be useful to help estimate key financial information, such as gross margins and cost of goods.¹⁶ This annually updated publication compiles and summarizes comprehensive financial data from independent pharmacies nationwide.

Pharmacists may want to consult with an accountant for help in generating financial projections and statements, especially if a loan is needed to start the service. Lenders usually require a set of financial statements that provide an overview of the pharmacy's past, present, and forecasted financial status. These historical and pro forma (projection) statements typically include⁵:

- ▲ *Income and expense statements*, which show profit and loss for the business at the end of a given time period (e.g., annually).
- ▲ *Balance sheets*, which are position statements that show assets and liabilities (i.e., how much is owned and owed) on a given date.
- ▲ *Cash flow statements*, which show the flow of money into and out of the business.

Projecting Revenue

When estimating projected revenue, consider income from both product sales and fee-based services. For example, a

consulting service on nonprescription medications and other over-the-counter products may provide significant revenue from product sales. Also consider sales of nonpharmacologic products, such as monitoring devices for hypertension or diabetes, other self-care products, and books that may be related to the targeted services.

Fee-based compensation is another potential revenue source. If cash-paying patients are a primary market, the plan should explain the proposed fees and the rationale for setting them. Also describe how the service fee will be structured. For example, a service that requires multiple visits (e.g., a smoking cessation, weight loss) may be segmented into sessions that can be purchased individually or at a more economical "package price" for the entire program.

In addition to payment from patients, the plan should provide information on other potential purchasers of the pharmacy service. If the market analysis identified local employers as key stakeholders, the plan may include projections for their payment for various worksite services, such as disease state management, smoking cessation, or immunization programs. Anticipated revenue from third-party payers, such as health insurers or Medicaid/Medicare, also should be described, as appropriate.

Projecting Expenses

The financial plan should estimate initial and ongoing expenses for the service. This will help to demonstrate that the pharmacy has sufficient cash flow and adequate capital reserves until the service surpasses the break-even point. Briefly, projected expenses in these general categories should be included⁹:

- ▲ *Start-up costs*. These expenses include the cost of training (e.g., travel to a continuing education program) and any changes the pharmacy layout needs to accommodate the service. Other start-up costs may include new technology (e.g., computers and software for documenting the service, a bone densitometer for an osteoporosis screening service) and supplies.
- ▲ *Fixed costs*. These costs remain constant as the volume of service delivery changes. For example, a monthly newspaper or television advertisement would be a fixed cost. Other examples of fixed costs include salary, utilities, insurance premiums, and building rent or mortgage.
- ▲ *Variable costs*. These costs fluctuate as the volume of service delivery changes. The biggest expense in this category is typically the cost of professional time for the pharmacist(s) who provide the service.

Because financial forecasting is based on a number of uncertainties, some flexibility must be built into the plan. Include contingency measures in the event that demand for service is lower (or higher) than anticipated. For example, if the break-even point is not reached in the proposed time frame, are additional funds available to ensure adequate cash flow? Alternatively, if the service is immensely popular, will

the pharmacy be able to ramp up to meet the demand, such as by hiring additional staff?

Start-Up Financing

This section should provide information on how the new service will be funded. If the pharmacy will need external funding to start the service, such as a bank loan, explain how much funding will be needed and for how long. If the service will be internally funded, such as by the pharmacy owner or profits from the existing business, briefly describe the mechanism and anticipated need for self-funding.

Exit Strategy

Finally, the financial section should include a contingency plan in the event that the new service fails or the owner no longer wants to continue the service. If debt has been incurred to start the service, how will these funds be repaid?

Possible exit strategies include starting a new service in lieu of the failed venture, selling the pharmacy to new owners, or downsizing the service to curtail expenses. This planning can give investors confidence that the pharmacy is prepared to manage the situation no matter what course the service takes.

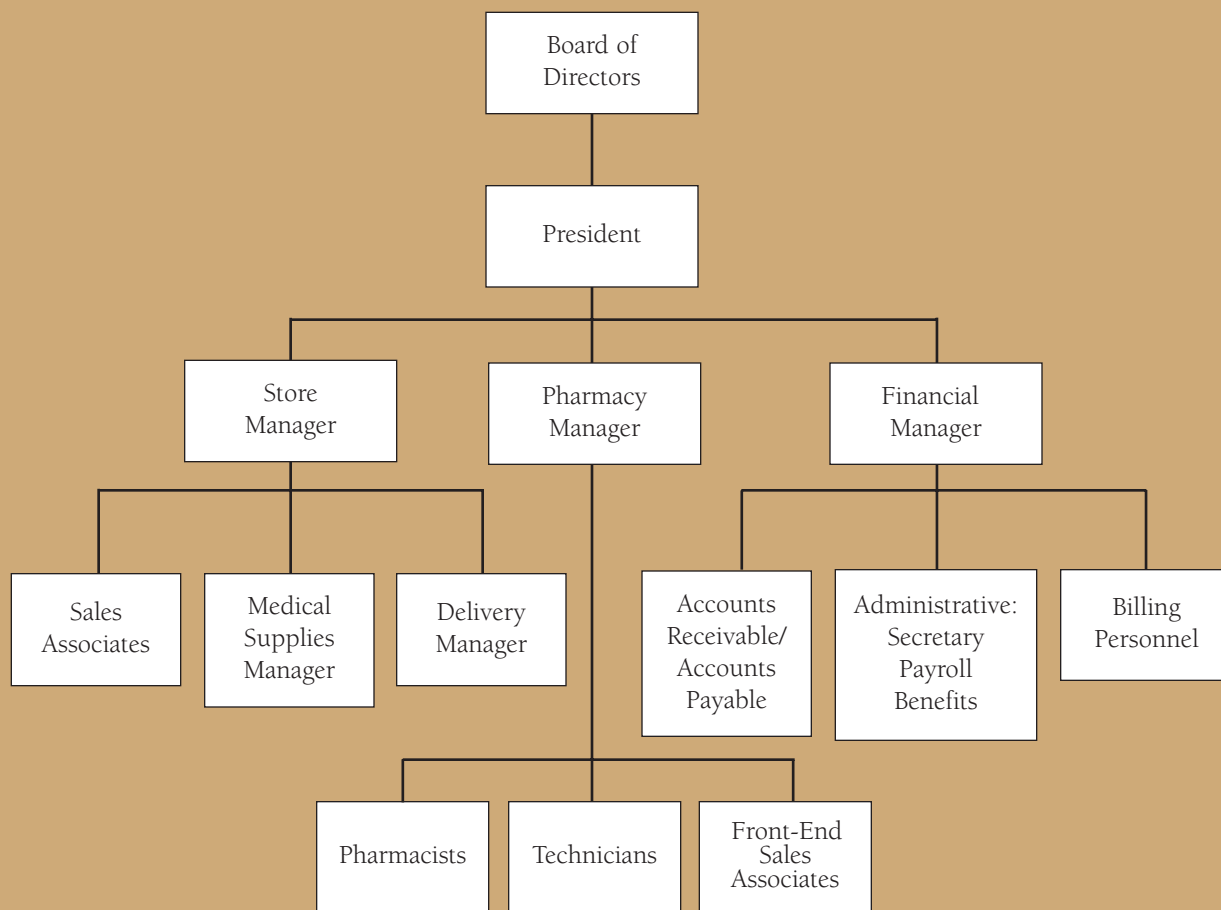
Management Team

Studies analyzing key factors in small business failures have found that 98% of failures result from managerial weaknesses.⁷ Because a sound management team is crucial for the success of a new venture, the business plan should include a section that highlights the qualifications and experience of the senior managers who will oversee the service. A flowchart describing the management structure of the pharmacy is often included in this section (Figure 3).

Describe the management team's roles, duties, and responsibilities, previous experience and successes, and explain how

Figure 3.

EXAMPLE OF AN ORGANIZATIONAL FLOWCHART



these qualifications relate to the implementation of the proposed service. Also highlight the educational background and any specialized training of key staff members, such as certification in diabetes education or extensive prior experience in providing pharmaceutical care. Résumés or curricula vitae can be included in the appendices (or omitted from the business plan and forwarded separately to interested parties, when needed).

Some business experts advise entrepreneurs to assemble an external board of advisors who meet periodically to help the senior management team evaluate the venture and make strategic suggestions for improvement. If a board of advisors will be involved (or is in place), the plan should present brief information on these individuals and state the board's role in providing oversight or consultation for the new service.

Operations

This section of the plan describes the process for service delivery and explains how it will be integrated into existing pharmacy operations. Describe strategies in place to ensure adequate staffing and efficient workflow, documentation and record keeping, adequate insurance coverage, and compliance with state and federal regulations.

The operations section should describe methods to regularly evaluate and continuously improve the quality of pharmacy services. Evaluation tools include a patient satisfaction survey that asks patrons for feedback on the service and periodic analysis of participants' clinical outcomes (e.g., aggregate changes in blood pressure, cholesterol levels, or hemoglobin A1c measurements).¹⁷ Keep in mind that documented outcomes from the service can be used in future marketing efforts.

The operations section also should briefly outline the key steps necessary to implement the new service and the expected time frame for each step. A chart to illustrate the anticipated timetable for the major steps required to implement the new service can be an effective device for conveying this information.

Reviewing and Critiquing the Business Plan

Before finalizing the plan, it is worthwhile to present the draft document to impartial outsiders for review (Table 3).¹² For example, the pharmacy's accountant may be asked to review the financial section, while a respected pharmacy colleague may have valuable comments on the proposed model for service delivery and the marketing plan. Reviewers may point out previously unseen flaws in the plan, such as unrealistic assumptions and unsubstantiated claims, at a stage when these shortcomings can be readily corrected.

When the content revisions are complete, check the document for errors in spelling or grammar and editorial

Table 3. QUESTIONS TO ASK WHEN REVIEWING THE BUSINESS PLAN

- ▲ Does the business plan meet current patient care trends?
- ▲ Does the plan expand the market share of the pharmacy?
- ▲ Does the plan meet the pharmacy's organizational mission and vision?
- ▲ Is the plan based on realistic assumptions, factual information, and logical reasoning?
- ▲ Does the plan present a conflict with other current pharmacy initiatives or programs?
- ▲ Is the plan's design flexible enough to respond to unpredictable developments?
- ▲ Do affected staff members have the necessary knowledge, skills, and abilities for successful implementation of the plan? Are they committed to making it happen?
- ▲ Is the marketing plan on target? Will it bring in new patrons or payers? Will it enhance the reputation of the pharmacy? Will it improve the delivery of patient care?
- ▲ Are the financial projections based on reasonable assumptions? Does the pharmacy have enough reserves to implement the plan?
- ▲ If the service fails to meet expectations, what will be the effect on the pharmacy? Its reputation? Its patients and staff? Do the owners have a sound plan in place in the event of failure?

Adapted from Reference 12.

inconsistencies in style, format, or organization. If the pharmacist-author is not proficient in this area, consider asking a colleague with good English skills or hiring a freelance copy editor to review the plan.

Ensure the plan is reader-friendly. For example, the table of contents should be detailed enough that readers can easily find any section in the plan, including items in the appendices. The final plan also should be neat and visually appealing. To create a favorable impression on readers, put the business plan in an attractive folder or spiral binder for presentation.

Once completed, the business plan should not be set aside and forgotten. Like a road map, the business plan can be reviewed regularly to help the management team stay focused on key goals and assess their progress. Experts recommend that business plans be treated as dynamic documents that are

updated on a regular basis (at least yearly) to reflect changes in the external market or internal pharmacy operations.¹¹ The business plan also can be used as required reading for all new employees to ensure they clearly understand their duties and how their actions contribute to the pharmacy's overall mission and goals.

Summary

A well-constructed business plan is the pharmacist's most effective tool for reaching long-term goals and achieving success with patient care services. A sound plan not only describes the pharmacist's idea in compelling and convincing language, it also demonstrates that the author has the professional abilities and business competence to make the envisioned concept a reality.

Pharmacists without a business plan often start their services based on the presumption that "if I build it, they will come," only to have their businesses fail because of faulty assumptions. Those who take the time to develop thorough business plans before implementing their services have a competitive advantage and the flexibility to change course efficiently if unexpected events occur.

References

1. Covello J, Hazelgren B. *Your First Business Plan*. Naperville, IL: Sourcebooks, Inc.; 1995.
2. Srnka QM. Implementing a self-care–consulting practice. *Am Pharm*. 1993;NS33:61–71.
3. Campbell RK, White J. Counseling patients with type 2 diabetes and insulin resistance in the retail pharmacy setting. *Diabetes Educator*. 2002;28:938–43, 947–50, 952–4.
4. Goode JV, Marquess JG, Crawford S. Building a year-round immunization program. *J Am Pharm Assoc*. 2000;40(5 suppl 1):S32–S33.
5. Haag AB. Writing a successful business plan. *Am Assoc Occup Health Nurses J*. 1997;45:25–32.
6. Bunting BA, Cranor CW. The Asheville Project: long-term clinical, humanistic, and economic outcomes of a community-based medication therapy management program for asthma. *J Am Pharm Assoc*. 2006;46:133–47.
7. Cranor CW, Bunting BA, Christensen DB. The Asheville Project: long-term clinical and economic outcomes of a community pharmacy diabetes care program. *J Am Pharm Assoc*. 2003;43:173–84.
8. Cohn KH, Schwartz RW. Business plan writing for physicians. *Am J Surg*. 2002;184:114–20.
9. Hagel HP, Rovers JP, eds. *Managing the Patient-Centered Pharmacy*. Washington, DC: American Pharmaceutical Association; 2002.
10. Lehman LB. Developing an effective business plan. *Med Interface*. 1996;9:120–4.
11. Pinson L, Jinnett J. *How to Write a Business Plan*. 1993. Available at: http://www.sba.gov/idc/groups/public/documents/sba_homepage/pub_mp32.pdf. Accessed October 4, 2007.
12. Latona P. A nurse leader's guide to writing business plans. *Semin Nurse Managers*. 2000;8:58–60.
13. McDonough RP, Pithan ES, Doucette WR, Brownlee MJ. Marketing pharmaceutical care services. *J Am Pharm Assoc*. 1998;38:667–81.
14. Doucette WR, McDonough RP. Beyond the 4Ps: using relationship marketing to build value and demand for pharmacy services. *J Am Pharm Assoc*. 2002;42:183–93.
15. Rovers JP, Currie JD, Hagel HP, et al., eds. *A Practical Guide to Pharmaceutical Care*. Washington, DC: American Pharmaceutical Association; 1998.
16. National Community Pharmacists Association. *NCPA-Pfizer Digest-In-Brief*. Alexandria, VA: National Community Pharmacists Association; 2006. Available at: <http://www.ncpanet.org/ownership/digest.php>. Accessed October 4, 2007.
17. Larson LN, Rovers JP, MacKeigan LD. Patient satisfaction with pharmaceutical care: update of a validated instrument. *J Am Pharm Assoc*. 2002;42:44–50.

CE Assessment Questions

Instructions: To complete the online CE Examination Form, go to www.pharmacist.com/education. At the top right, **Log in**. If you are not a member, click on the **Guest** button at the top right to obtain your user name and password. *There is no fee associated with registering.* CE processing for this program is **FREE**. Use the **Online CE Quick List** and search for the program title alphabetically. You will be routed to the program and may take the CE Examination online. Please review all your answers to be sure that you have selected the proper response. There is only one correct answer to each question. Your CE Certificate will be available immediately upon passing the CE examination.

1. Which section of the business plan is often compared with the abstract in a medical journal article?
 - a. Growth plan.
 - b. Title page.
 - c. Mission statement.
 - d. Executive summary.
2. Approximately what percentage of new businesses fail to survive until their fifth anniversary?
 - a. 10%.
 - b. 20%.
 - c. 60%.
 - d. 80%.
3. The point in time when revenues meet expenses is called the:
 - a. Break-even point.
 - b. Tipping point.
 - c. Balance point.
 - d. Projection point.
4. A business plan should be written at least how long before the service is implemented?
 - a. 1 month.
 - b. 2 months.
 - c. 4 months.
 - d. 6 months.
5. The acronym SWOT stands for:
 - a. Sales, workflow, outcomes, therapeutics.
 - b. Services, work plan, operations, treatments.
 - c. Strengths, weaknesses, opportunities, threats.
 - d. Skills, work environment, objections, training.
6. In financial terms, variable costs include:
 - a. Training and pharmacy design change expenses.
 - b. Costs that fluctuate as the volume of service delivery changes.
 - c. Salary, utilities, insurance premiums, and building rent or mortgage.
 - d. The costs of lost opportunities.
7. Which type of statement should pharmacists write to briefly describe a new service, what it intends to accomplish, and for whom it will be provided.
 - a. Pro forma statement.
 - b. Marketing statement.
 - c. Mission statement.
 - d. SWOT statement.
8. In a business plan, an exit strategy describes:
 - a. How the pharmacist closes up the pharmacy at the end of the day.
 - b. The process used when a pharmacist's employment is terminated.
 - c. A contingency plan in the event that the service fails or the owner no longer wants to continue the service.
 - d. A process for terminating contracts.
9. What is the approximate length of the executive summary for a business plan?
 - a. 1 to 2 pages.
 - b. At least 10 pages.
 - c. 30 to 40 pages.
 - d. No particular length is customary.
10. A description of strategies to ensure adequate staffing and efficient workflow should be located in which part of the business plan?
 - a. Description of the business.
 - b. Description of the service.
 - c. Marketing strategy.
 - d. Operations.
11. When performing a market analysis, which of the following is an example of an intangible strength?
 - a. New counseling area.
 - b. Automated dispensing system.
 - c. Good reputation in the community.
 - d. Well-trained pharmacy technicians.
12. Which part of the business plan provides a clear and succinct description of the service that can be stated in about 1 minute?
 - a. Executive summary.
 - b. Mission statement.
 - c. SWOT analysis.
 - d. Title page.

13. Approximately what percentage of business failures are estimated to result from managerial weaknesses?

- 12%.
- 55%.
- 73%.
- 98%.

14. An example of a tool for market analysis is:

- A promotional flyer.
- Pharmacy records.
- A presentation at a health fair.
- A patient satisfaction survey.

15. Which of the following would generally be located in the appendix of a business plan?

- Letters of support from potential business partners.
- The marketing plan.
- Income and expense statements.
- Revenue projections.

16. In general, how often should a business plan be updated?

- Monthly.
- At least once a year.
- Every 5 to 10 years.
- Never.

17. Which of the following statements about writing business plans is true?

- Pharmacists are advised to hire outside consultants to write their business plans.
- A business plan is recommended only for pharmacists who require outside funding.
- Pharmacists should choose a conducive time and place to work regularly on the business plan.
- Business plans should never be shared with outside reviewers, because they are unlikely to understand the service.

18. Which of the following statements about writing business plans is true?

- All successful business plans follow the same format.
- Student pharmacists or technicians can assist with gathering information for the business plan.
- A table of contents for the business plan should be listed on the title page.
- A SWOT analysis is necessary only if there are other pharmacies in the area that provide a similar service.

19. In a business plan, a key indicator is:

- Used to define and measure progress toward goals of the service.
- A tool used to highlight essential components of the business plan.
- The expected amount of time required before the service becomes profitable.
- The result of the SWOT analysis.

20. Which financial document shows how much is owned and owed on a given date?

- Balance sheet.
- Capital expense budget.
- Profit and loss statement.
- Cash flow statement.

CE Credit

To obtain 1.5 hours of continuing education credit (0.15 CEUs) for "Writing a Business Plan for a New Pharmacy Service," complete the CE Examination Form online. A Statement of Credit will be awarded for a passing grade of 70% or better. Pharmacists who complete this exercise successfully before December 1, 2010, can receive credit.



The American Pharmacists Association is accredited by the Accreditation Council for Pharmacy Education as a provider of continuing pharmacy education. The ACPE Universal Program Number assigned to the program by the accredited provider is: 202-000-07-260-H04-P.

"Writing a Business Plan for a New Pharmacy Service" is a home-study continuing education program for pharmacists developed by the American Pharmacists Association and supported by an educational grant from Merck & Co., Inc.





American Pharmacists Association®

Improving medication use. Advancing patient care.

APhA 1100 15th Street, NW • Suite 400 • Washington, DC 20005-1707
800-237-APhA • <http://www.pharmacist.com>

