

ApothecaryRx: Using Technology to Build an Unusual Chain

by Bruce Kneeland

The first inkling that ApothecaryRx was an unusual drug chain came to me when I met Jim Cox, a pharmacist and the company's vice president of operations, in his booth at the 2008 NCPA annual meeting in Tampa, Fla. Yes, I said in his booth — where he was meeting with pharmacy owners and explaining his company's program to buy independent pharmacies.

ApothecaryRx, headquartered in Golden Valley, Minn., is a chain with 18 retail locations scattered over five states: Colorado, Illinois, Minnesota, Missouri, and Oklahoma. But their locations do not do business under the ApothecaryRx banner. The company was founded in 2006 by Lewis Zeidner, a former senior executive for a company that managed hospital pharmacies in 35 states, who says he got the idea for forming ApothecaryRx when he saw so many independents selling out to various chains.

The cornerstone of Zeidner's business model is to buy successful community pharmacies (typically with \$5 million or more in sales) whose owners know they need to find an exit strategy, but who are not yet too eager to retire. Zeidner then implements his business plan, which is built on three legs: change very little that is visible to the consumer, bring in state-of-the-art technology, and improve working conditions and benefits for the staff.

Business as Usual

The day after the store is sold, all the same people come to work and do the same job in a store that looks just like it did the day before it was sold. First off, Cox says, they do not buy ailing stores, so there is no need to change much of anything. He further indicates that they are not merely buying an ongoing business with some equipment and inventory, but are partnering with the

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people who work there and have built a successful business with an offering that the community values. "So," he says, "our plan is to keep the name, people, service offering, and product mix that helped make the store successful."

That is not to say that change does not take place. That is where the second leg of Zeidner's business plan takes root. Both Zeidner and Cox, who met while working for another innovative drug chain, PrairieStone Pharmacies, know the value of economy of scale and uniform operating procedures, and they bring those in spades — all to the benefit of the consumer, the employee, and the bottom line.

So what changes in the pharmacy? Technology and back-office support. "To start with, the first thing we do is to bring in a state-of-the-art pharmacy management system," says Cox. When they first came up with their business model they knew they needed to have a common operating platform, so they shopped a number of systems. While he says "they all had many features and functions we liked, we finally settled on Computer-Rx, and feel that decision has served us well." Cox says that the system

feature formula for success

is easy to learn — a key component because this is one change store personnel need to grasp quickly. He says that the installation, on-site training, and ongoing support have been exceptional.

A Total System Approach

Next, they bring in IVR. Cox says he is still amazed at how many independents have not incorporated this productivity-proven technology into their business. He believes the most obvious benefit an IVR brings is the ability to place phoned-in refill requests directly into the pharmacy system's work queue. This means that store personnel are not spending time listening to voice messages in the morning and jotting down refill numbers and keying them into the pharmacy management system. They can instead go right to work processing refill requests.

ApothecaryRx has selected TeleManager Technologies to be its IVR partner. Cox points to several main reasons for that choice. First, its system is flexible and able to be configured to the specific needs of each location by using the dashboard residing on the IVR's computer screen.

Next, Cox says, TeleManager offers both a traditional in-store system and a hosted software-as-a-service (SaaS) IVR system. He says the hosted on-demand IVR allows store personnel to answer the phones personally during working hours and only kicks in when all phone lines are busy, or after hours. Cox enjoys telling the story of how one IVR-reluctant staff member, when answering the phone just at closing time, heard a customer say, "Oh, hi. Can you hang up? I just wanted to leave my number on the machine."

Cox says the next application they plan to bring on is TeleManager's Pickup Reminder feature, which can automatically make HIPAA-compliant calls to patients with prescriptions in the will-call bin.

Changes up Front

The next "major new technology" that ApothecaryRx brings in is Computer-Rx's point-of-sale (POS) system. Cox says that POS "closes the loop on both customer service and business operations," and that he can't imagine running his chain without one. ApothecaryRx's financial systems do not record a sale until the customer has actually picked up the prescription — a technique that would be impossible without POS. And now that FSA debit cards can be run through the IIAS system, Cox believes that POS has become an essential technology for a successful pharmacy operation. Cox adds that bringing in a POS system to stores that did not previously have one is the first change customers see. He feels this positive change makes the pharmacy look "world class" and helps the clerks pro-

vide faster and more personalized checkout services.

In addition to helping with customer service, front-end operations, and will-call bin management, Cox says, the reporting provided by the POS brings information together from both the pharmacy management system and the cash register, providing them with a total-store management system. These combined management reports play a major role in the company's ability to manage and monitor store operations without regard to geographic location, according to Cox.

Back-Office Backbone

Once ownership has transferred, a variety of new back-office systems are put in place. Among them is a Web-based time-clock system. Employees are given a password and instructed to check in and out using a secure

Internet portal that integrates seamlessly with the company's payroll software.

Each location is supported by a headquarters-based team of six professionals that oversees human resources, procurement, accounting, payroll, accounts payable, and other tasks. Cox says that while invoices still are sent to each location for verification, once they are approved by the local operation they are bar coded, scanned, and electronically sent to the corporate office for processing and payment. At

the store level, Cox says, they do not let any back-office personnel go, but expect them to spend more time on things such as store support, customer service, and other sales-enhancing activities.

Central to the ApothecaryRx business model is retaining the services and goodwill of the former owners, most of whom stay on to manage the store for a number of months — or longer if they desire. Cox says the combination of all the changes helps improve the bottom line of the recently acquired pharmacy by a full percentage point or more, thus making the conversion from the former owner to ApothecaryRx a good business decision for everyone. When added to the company's commitment to investing in and implementing the right technology, you've got the formula that has made this unusual chain a success. **CT**

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