

Retail pharmacists get a dose of business acumen

At Medicap Pharmacies, retail pharmacists needed business acumen training to better understand how to affect the bottom line results. One immediate effect after just one day of Celemi training resulted in a three percent reduction in inventory, and further improvements are materializing.

Karen Merrill was on a mission. As VP Operations for GRX Holdings, she wanted to help the retail pharmacy managers in their consortium think smarter about the business. "Pharmacists are highly skilled professionals, but they don't get much business education in their training," notes Ms. Merrill, who is responsible for helping 12 retail pharmacies and three specialty pharmacies meet sales goals and other financial targets.

GRX Holdings, based in Iowa, USA, is a consortium of Medicap Pharmacy franchise operations, which presents a special challenge for the retail store managers. "In our business model, the managers are not the franchise owners," explains Ms. Merrill. "We want to appeal to their entrepreneurial spirit, so it is especially important that they feel empowered to make business decisions and understand that their actions have a direct impact on the bottom line."

Understanding bottom line implications of inventory control



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— Andrew Funk
 GRX/Medicap Pharmacy Manager, Grimes, IA, USA

Ms. Merrill had heard about a unique financial skills-building experience from a colleague who had participated in a Celemi Apples & Oranges™ workshop. She eventually met with Celemi partner Dan Topf, Training consultant with MDI, Inc.

"As soon as I saw this hands-on learning method, I could tell right away that this was the perfect model for us. It presented a visual picture of how cash flows through our business and would help everyone see that they could think about things differently. It would help them understand how their decisions *today* impact the business in the *future*."

Because staffing was often an issue, education and training had become rather limited at GRX/Medicap, consisting of teleconference calls and in-store visits. "I would try to meet with each manager to

review their financials and explain how the different components of a balance sheet work together. I could see that they understood each separate piece, but I didn't know if they were getting the big picture."

For instance, GRX/Medicap had been trying to get the store managers to understand the bottom line implications of inventory control. "It was challenging to get everyone to look at more than just the inventory dollar amount. I wanted them to see how important inventory- mix and turns are to our business and to providing for our customers," Ms. Merrill adds.

"This was the day's biggest take-away," she suggests, referring to the one-day Apples & Oranges session. When asked to write down the first change they would make upon returning to their stores, several of them wrote: change the inventory mix. "It was their favorite idea," says Ms. Merrill. "They began to talk about it not just in terms of dollars, but in terms of selling. It made me feel good to hear them wonder aloud, 'Why would I hang onto 100 items if they're not selling even if they only cost one dollar each?'"

Andrew Funk, an Apples & Oranges participant and manager at a GRX/Medicap Pharmacy, concurs. "I was impressed with how clearly the simulation delivered the learning points. As a manager, I'm always looking for ways to control inventory. I check history usage reports on specific drugs now and make sure we're stocking the correct amounts. I also appreciated the fact that it was not a lecture. It really captured my attention. Mr. Funk also says: "During the simulation, as we were moving product and making sure inventory levels were balanced, it struck me that a high inventory with a high turnover rate, because customers wanted to buy the products, was more profitable than keeping inventory low but stocking products customers did not want to buy."

Ms. Merrill credits Dan Topf, who facilitated the workshop, with much of the day's success. "Dan is so dynamic and engaging that he pulls everyone in and drives home the most important learning points from a corporate perspective," she says.

One exercise challenged participants to manage limited resources, such as staff, when the customer flow in the store increased. "It became clear to the managers very quickly that it did not make sense to have two people in the stock room when there were customers waiting in line at the register," adds Ms. Merrill. "It really showed them all the things they need to be aware of while in the store."

Other benefits of the simulation cited by GRX Holdings/Medicap Pharmacy include:

- Bringing together remote corporate staff and the store managers to exchange ideas and build camaraderie.
- Helping new managers learn from the successes and failures of experienced managers in a safe setting.
- Discovering how much the stores needed refreshing, including rethinking merchandise displays, traffic flow and the overall customer experience.

"That is what we are about," says Ms. Merrill. "In addition to being convenient, our neighborhood locations should reflect the needs of local customers. Our inventory purchases are smarter, and we're returning products we don't need. Our pharmacy staff is taking even more time with each customer."

Many small wins...

Since running the Celemi Apples & Oranges workshop, Karen Merrill, VP Operations at GRX Holdings, is seeing very real changes, including:

- An immediate three percent reduction in inventory, with ongoing efforts resulting in an additional \$600,000 reduction during the past 6 months.
- A new interactive spreadsheet based on Celemi's Profit Simulator that enables managers to insert their own inventory, payroll and sales forecasts and more efficiently manage time and budgets.
- A new blog to improve communication between central management and among the pharmacies.
- New buying practices that include changing wholesalers and launching new products with consumer appeal; letting go of items that have always been there but did not sell.
- New hiring and training practices that focus on cross-training have improved efficiency.

About GRX Holdings/Medicap Pharmacy

GRX Holdings, based in Iowa, USA, is a private holding company, with several Medicap Pharmacies in its group. The Medicap Pharmacy group stores form a network of more than 800 pharmacy locations nationwide, and over 400 in five other countries.

