

# Client Success Story

Case History



## ***Chain of Independent Pharmacies Streamlines Operations and Prepares for Continued Growth***

Dispensing prescription medications and consulting with customers is all in a day's work for most pharmacists. But with a genuine commitment to the health and well-being of its patrons, Idaho-based Medicine Man Pharmacies has taken customer service to a higher level.

Putting their motto of "we care about you ... and your health" into action, Medicine Man pharmacists spend their days conducting medication reviews, performing basic health evaluations and screenings, recommending natural dietary supplements and compounding medications on site.

Personalized service has helped build a loyal customer base for Medicine Man pharmacies, leading to significant growth for the nine-unit chain. But doing what they do best leaves little time for Don Smith, R.Ph., a franchisee of three Medicine Man locations, to attend to the business side of the pharmacies. With help from the management consultants at George S. May International Company, Medicine Man pharmacies was able to uphold its commitment to its customers' health and wellness while building profits and planning for future growth.



***Medicine Man pharmacists take an active role in the health and well-being of patrons. Pharmacists provide one-on-one medication reviews and offer basic health evaluations and screenings for blood pressure, bone density, cholesterol and diabetes.***

### **A New Twist on an Old Practice**

The first Medicine Man pharmacy opened in Coeur d'Alene, Idaho, in 1978. Owner Brian Jorgensen, R.Ph., had a patient-oriented vision for the store that would set it apart from traditional dispense-and-go pharmacies. He chose the name "Medicine Man" because of its association with the traveling medicine men of the Old West who provided potions and remedies to help people feel better.

The customized medicines that Jorgensen dispensed, however, were a far cry from the elixirs in amber-colored bottles that medicine men carried in

dusty leather satchels. Instead, Jorgensen reintroduced compounding, or the practice of preparing customized medications for patients.

The original practice of compounding became a lost art with the introduction of drug manufacturing in the '50s and '60s. Jorgensen recognized a continuing need for the service, however. Many patients are allergic to preservatives or dyes in medicines, or are sensitive to standard drug strengths. With a physician's consent, a compounding pharmacist can change the strength of a medication, alter its form to make it easier for the



**Left: The first Medicine Man pharmacy opened in Coeur d'Alene, Idaho, in 1978 with the goal of providing patient-focused care and has grown to include nine locations throughout Idaho and in Liberty Lake, Washington. Right: The store in Post Falls, Idaho, was the second location in the Medicine Man pharmacy chain and the first pharmacy to offer drive-through service.**

patient to ingest, and add flavor to make it more palatable. For example, the medicine can be prepared in the form of a lozenge, a lollipop or gel. For patients who have a hard time swallowing a capsule, a compounding pharmacist can put the medicine into a liquid suspension instead.

Compounding also helps chronic pain sufferers who cannot take certain medications because of the side effects. Patients with arthritis, for example, can avoid gastrointestinal upset with compounded topical preparations made with the anti-inflammatory or analgesic medicines. A compounding pharmacist also can prepare medications that have been discontinued by large drug companies.

### Expansion Plans

The original Medicine Man Pharmacy prospered and built a solid reputation among the locals. In 1985, Jorgensen was approached by a developer who

wanted to build a Medicine Man pharmacy in nearby Post Falls. A young pharmacist by the name of Don Smith became the first Medicine Man franchisee and opened Medicine Man West. The new store carried on the same progressive, customer-driven focus. Don Smith compounded medicines and expanded the pharmacy's line of natural dietary supplements.

Today Medicine Man pharmacies offer a complete line of professionally formulated natural dietary supplements, which are credited with maintaining health and preventing certain diseases. On-site counseling and the Medicine Man Wellness Center at [www.medmanpharmacy.com](http://www.medmanpharmacy.com) helps customers choose the supplements that would be the most beneficial to them.

As proof of its commitment to customer health, Medicine Man pharmacies also conduct regular screenings for blood pressure, blood sugar, bone density and cholesterol levels.

### Ongoing Growth

In 1990, Medicine Man's expansion continued when a local SuperOne grocery store decided to add an in-store pharmacy. The grocer polled its customers to find out which pharmacy they would prefer in that location and Medicine Man won hands-down. By 1995 Don Smith added two more Medicine Man franchises in the area. When sales averaged \$2.5 million for all three locations, Don realized that he could no longer run the pharmacy like a mom and pop operation.

"Pharmacy schools teach us to be pharmacists, not business people," said Don. "There's a different mix of skills required for pharmacists -- the practice of pharmacy combined with retail training. My only retail experience was working at Sears during the summer."

Looking for direction several years ago, Don hired a firm with industry experience to offer advice. This group provided



***A Medicine Man pharmacy technician uses an automated prescription filling machine to process a prescription. Machines that count pills and dispense medicine allow Medicine Man staff to spend more time with customers.***

some basic operational tools, but didn't establish an organizational structure to help Don prepare for the continuing growth of his Medicine Man locations.

When sales volume at the three locations doubled by 2003, issues with management structure, inventory management and financial planning threatened Don's hopes of expanding to another location.

"It was difficult to manage personnel over the three locations," said Don, "and I was losing the ability to track my business financially because I was still using a checkbook approach

to accounting. A lack of solid inventory controls impeded our cash flow. I knew it was time for a business health check-up, so I agreed to a Survey of our business practices by an Analyst from May International."

In the following six weeks that the May International consultants worked with Don and his Medicine Man staff, together they redefined the management structure, redeveloped the operations manual and accounting procedures, and initiated a unique inventory management system.

"May International helped me

create new job descriptions and a streamlined chain of management," said Smith. "The new procedures are helping employees at all three locations to communicate with each other in a more organized manner. A new incentive plan rewards employees for their roles in increasing the profitability of the company."

May International consultants also worked with Smith to establish an accounting system that provides a more thorough and accurate picture of Medicine Man's financial status. "Before May International came in, I

was using Quicken. The consultants pointed out that although the system was working for me, it was like driving a car by looking through the rear view mirror. The new budget tools allow us to look ahead. We can compare and track results month to month, which gives us a better picture of how each store is progressing and allows for better cash flow."

The new system was a big help when Don approached the bank for a consolidation loan. "They were very impressed by the report and projections that I was now able to supply."

The cash flow at the three Medicine Man locations also got

a boost from a new inventory system, which Don credits with saving about \$35,000 at each store.

The restructured inventory system established one location as the main "warehouse." Instead of duplicating orders at all three stores, one shipment is sent to the main location and distributed to each store as needed. "This centralized method increased my inventory turns from 12 to 18 times in one year. In many cases we're getting product out before we have to pay for it."

The May International consultants also helped Don establish a refill order schedule to bet-

ter track the expected demand for certain drugs. Additional inventory checks and balances are helping to minimize outdates, or merchandise that reaches its expiration date before it can be sold.

"With the management tools and organizational structure that are now in place, we have a stronger sense of direction and a good network of communication. Even with some stiff competition from two national chains that recently opened in the area, our projections are remaining pretty much on target. I am very excited about the future of our company," said Don.



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