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of the
YEAR p26

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Pharmaca: 2009 Chain of the Year

European-style pharmacy offers traditional, alternative therapies

Margaret Mulligan, Editor-in-Chief

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CHAIN of the YEAR

When it opened in June of 2000, the privately owned Pharmaca store in Boulder, Colo., was the nation's first European-style integrative retail pharmacy space. Since then, that one location has grown to a chain of 23 stores throughout Colorado, California, New Mexico, Oregon, and Washington. The integrative philosophy of the chain embodies the strengths of traditional approaches to the dispensing of prescription and over-the-counter medications as well as those of alternative/complementary medical products and services.

The company strives to foster health through a committed patient-practitioner partnership. Its holistic approach, green pharmacy programs, and patient-centered atmosphere have fostered a success reflected by the fact that over the past two years, the chain has grown 77 percent. These programs and metrics made Pharmaca an outstanding choice for *Drug Topics'* 2009 Chain of the Year.

According to co-founder, President, CEO, and Chairman Barry Perzow, Pharmaca was envisioned as a place that would "focus on health and healing, and treat the whole person with the best methods available, whether through prescriptions, homeopathic remedies, or preventive supplements." Services include prescription dispensing, compounding, a pharmaceutical take-back program, nutritional and

botanical dietary supplements, homeopathic and naturopathic services, private consultations, and a "body and soul zone," where one can indulge in fine skin-care products, body oils, aromatherapy, and bath items, as well as products imported from Europe for mothers and babies.

Helping patients help themselves

The integrative concept was born out of a desire to address the realities of today's healthcare landscape and help patients "take charge of their own wellness." For example, Perzow noted that, despite the growing incidence of chronic diseases such as diabetes, conventional medical practices only allot minutes to the patient encounter – scarcely enough time to address all the healthcare needs of an individual. As a result, the patient finds himself or herself navigating a system that focuses on acute illness rather than health and wellness.

Pharmaca representatives say they address this shortcoming in the healthcare system through patient advocacy, practiced by an exceptional staff. "Our typical customer is a woman who recognizes that health is her



Name: Christopher Turf
Title: RPh
Years of service: 8

Pharmacy
Manager



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Name: Deanne Mitchell
Title: RPh
Years of service: 5



Lead Practitioner

Prescription Compounding

greatest asset," Perzow said. "She is selective about the products she uses on her skin, in her home, and for her family." Beyond the merchandise, though, "for our customers, the real point

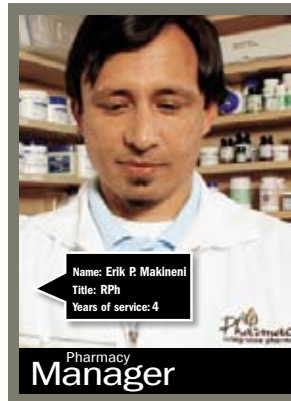
of difference is our staff," he said. "Everyone who works for us is a patient advocate. We offer our customers experts to guide them and licensed practitioners to recommend options. Our pharmacists can advise on alternatives. Their expertise lends credibility in that they apply the rigors of scientific evidence in the pursuit of wellness."

In addition to pharmacists, Pharmaca staff members include naturopathic and homeopathic physicians, nutritionists, herbalists, and estheticians. Many of these individuals retain their own independent practices and are dedicated to helping people achieve optimal well-being. This professional healthcare staffing model works for the company and its employees, particularly pharmacists.

"We have the lowest turnover of pharmacists in the

industry, because we provide an opportunity for them to engage and consult as part of our theme, "taking health-care to self-care," said Perzow. The pharmacists do not have productivity goals, he added. "We direct our [pharmacy] staff to focus on dialog and consultation." So in addition to full-service prescription dispensing, pharmacists have the freedom to consult with customers about drug/herb interactions and drug/nutrient depletions, in addition to the usual give-and-take of information on the drugs themselves.

The pharmacy accepts all major insurance plans, and this consultative model is profitable for Pharmaca, Perzow said.



Pharmacy Manager

Environmentally friendly

The company has an aggressive green pharmacy initiative, with a take-back program in full force. Customers are encouraged to bring their expired or unused medicine in for proper disposal. This service is currently available in stores in California, Colorado, New Mexico, and Oregon. Pharmaca has partnered with Telo-sis Institute, an FDA-certified company in Berkeley, Calif., to grow its green pharmacy program. Initially, three stores piloted the program over staggered one-year periods.

Those stores combined received approximately 700 pounds in returned medications. The rest of the stores in the chain were added in October 2008, and "we've collected [approximately 1 ton]. We are one of the only pharmacies doing this right now," Perzow said.

Pharmaca also strives to be environmentally friendly in its day-to-day operations and product selection through:

- Offsetting the power used in stores and the home office with 100 percent wind power
- Using sustainable materials in construction, including recycled carpet tiles, bamboo flooring, energy-efficient lighting, and low VOC (volatile organic compound) paint
- Product selection that includes eco-conscious brands, including Tom's of Maine, Sigg, and Seventh Generation
- Offering bag credits for customers who bring in reus-

able bags and providing biodegradable bags for others

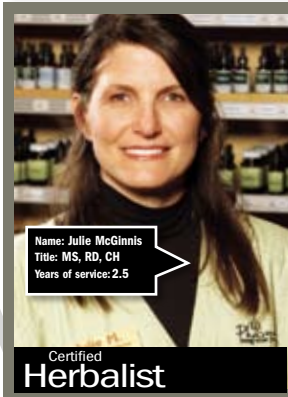
- Store signage and marketing materials printed on recycled paper with soy inks whenever possible

- Encouraging electronic communications to reduce paper, and encouraging staff to obtain customer e-mails with monthly contests featuring energy-offset rewards

- Carrying many companies' products that agree to be "Campaign for Safe Cosmetics" signers because "we know that what goes on the skin goes into the body, and what comes out of the bottle goes down the drain," Perzow said.

Highlights: Past and future

Pharmaca's success did not pass unnoticed in the venture capital (VC) community. Despite the fact that money was tight, particularly near the end of the year, in March 2008, the company secured \$20 million in a VC deal with Highland Capital Partners, the Highland Consumer Fund, and Phisic Ventures. These monies allowed Pharmaca to pursue



aggressive expansion plans, including its most recent store in Rockridge, Calif. The firm also continues to show strong same-store comps.

There were challenges in 2008 as well. "Our biggest challenge has been responding to declining script counts across the industry," Perzow said. "We marketed our entire store as part of the overall health and wellness solution. We don't depend solely on pharmacy traffic, which has resulted in a more profitable, blended mix."

"We feel that our business model will continue to lead the way in the evolution of healthcare," Perzow said. "Our growth has been fueled by a consumer-driven movement toward healthy aging and self-care. The convergence of western and alternative medicine is being embraced by leading teaching hospitals and medical centers. Our growth demonstrates that we are the compelling destination for those seeking a healthier, more productive lifestyle." DT

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