

New Pharmacies Feasibility Study Template

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Executive summary:

Provide a brief summary of the business objectives, approach, expected costs, benefits, and risks of the proposed investment related to new establishment of chain of pharmacies.

Objectives:

Objectives of the investment could be classified into two main subgroups:

Strategic objectives:

Discuss the value of new market entrance and achievement of certain market position. Also discuss the advantage(s) that might be gain to the current business status.

Financial objectives:

Discuss the turnover and profit targets related to the period of the investment; details of financial will have specific section.

Background and needs assessment:

Discuss the reasons for the proposal, that's might include, but not limited to:

- Business environment:
 - What is the legal requirement to open new pharmacy? LIST ALL
 - Do pharmacies have the right to sell to other pharmacies and/or hospitals?
 - Do pharmacies able to participate in tenders?
 - What is the payment terms or the credit facility given to pharmacies in most cases?
 - Do pharmaceuticals controlled by sole agent only?
 - Any sort of control in importing/exporting any other product(s) like cosmetics or medical disposables?
 - Do pharmacies have insurance contracts with companies?
 - Any pricing control by government?
- Business needs
 - Are the market is covered by the current players?
 - Do the service(s) provided by current players meet customer satisfaction?
- Business opportunity
 - If needs exist, then opportunity exist.
- Business service goals
- Owner(s) attitudes and possible partnership problems
- Legislation (in establishing the business, activities allowed, and transportation of products across the board)
- Others

Market survey

Try to write details as possible for the following points:

- Market life cycle (not yet existence, just emerging, static, growing, exploding or declining)
- Who are the players?
- What is known about present and future competitors?
 - Number of the players in this market.
 - How many pharmacies already available?
 - How big each of them and what is their strength points or weaken points?
- What is the current and potential size of the market?
 - What is the total medical market?
 - What is the pharmaceutical total market?
 - What is the total market for pharmacies (both pharma and non-pharma)?
 - What is the population there?
 - Work out some ratios to determine the average population per pharmacy and compare that with what we have here.
 - What is the income structure and possible classification based on socio-economic factors?
- What is the pricing practice?
 - What controls made by government?
 - What is the current practice of competitors with regard to pricing?
- Quality levels?
 - Do companies have or at least seeking certain quality levels?
 - What is the minimum quality imposed by government?
 - Any variation on quality of services provided by different competitors?
- Margins?
 - What is the minimum margin by law?
 - What are the average based on different competitors?
 - Any taxes?
 - What is the cost structure?
 - Rent?
 - Labor?
 - Any other overhead?
- What will this venture contribute in terms of value to the customer and with what competitive insulation?
- Define the customers in details as possible, and differentiate between walk in customers, contracted companies, and hospitals and/or pharmacies that we could supply them with various medical products.
- Others

Differentiation (uniqueness)

What are the major points that will differentiate our business from other?

Marketing plan:

Comment on the following:

- Sales forecast
 - Expected sales per pharmacy.

- Services
 - What sort of services will be provided either care services or logistic services?
- Advertising and promotions
- Selling methods
- Services and delivery
- Supply and stocking plan
- Facility plans
- Administrative plans
- Employment and personnel plans
- Risk analysis

Operating procedures:

Overview of major tasks and brief description of methods to achieve those tasks.

Location(s)

Physical location(s) and how is that related to various stakeholders.

Risk management and contingency planning:

Discuss the possible threats to the assumption made about the business environment. Also discuss the possible negative impact into the current business status both direct and indirect financial aspects.

Entry and Exit barriers:

Discuss the main obstacles to enter or to exit from the market.

Project Plan:

It's the list of major tasks needs to be performed, who will do each task, and the time frame. Resources and people involved should be outlined also.

Financial forecast:

Various financial techniques are used, they could include, but not limited to:

Cash flow:

Determine what are the expenses and revenues within specified time frame. Expenses include both initial capital investment, and subsequent cost like wages or rent, and revenue expressed as projected sales that could be made. The data should be classified into short period classes (usually in monthly basis).

Capital expenditure:

The initial investment need to be available for the whole project.

ROCE:

Return On Capital Employed (percentage of profit over the investment).

PB:

Based on the projected cash flow, determine the expected pay back period.

NPV:

The value of money using discounted ratios.

IRR:

Internal Rate of Return.

Cash Vs Profit:

Clear distinction between the cash flow and profit generated should be performed. In distribution business, profit could be generated with delay in cash flow. The opposite picture could be achieved in retailing.

Monitoring criteria:

Objective indicators that could be measured should be identified with comparison to the original assumptions. Major points could be drawn from project plan.

Tips for the study conduction:

- Get your hand dirty
- Do your home work
- Focus on quality rather than quantity of research
- Be prepared and flexible in undertaken the research
- Use an iterative approach
- Do not lead the witness
- Be prepared to change the product or service
- Do not get frustrated at the lack of data
- Realize that you also learn after initial introduction