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## Prescription For Success

Combined Buying Power, Customer Service Help Local Durgstores Battle 'big Box' Chains

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By Ellen Williams-Masson

Shrinking profit margins and the proliferation of "big box" pharmacies make community drugstores seem as quaint as soda fountains, but DeForest-based MD Group is writing a new prescription for success.

Partners Matt Mabie and Daniel Strause have developed an innovative business model that preserves the character and personalized service of small town pharmacies while harnessing their collective buying power.

"By adding them all together, you can buy drugs cheaper when you have the volume of thirteen stores banded together versus one," Mabie said. "That's where we have been able to save the most money and maintain a decent business."

The two entrepreneurs got their start by pairing Mabie's pharmacy background with Strause's financial expertise to purchase their first five pharmacies in 2003, including the DeForest store where Mabie was working at the time.

The company has mushroomed by buying out independent pharmacists looking to sell as they approach retirement. The MD Group now owns 12 retail pharmacies in Belleville, DeForest, Dodgeville, Evansville, Highland, McFarland, New Glarus, Oregon, Poynette, Randolph, Rio and Verona. They also own a long-term care pharmacy serving nursing homes and assisted living facilities.

"We really haven't tried to add locations, it just basically made sense once we had the original five because most of the infrastructure was already in place," Mabie said.

Second wind helps\ Many of the owners catch their second wind after turning over the paperwork and hassles of running a business, and they hang around to work behind the counter after the sale.

Retaining staff and their relationship to the community helps the MD Group compete with the big box pharmacies, especially in the five towns where their hometown pharmacies go head-to-head with larger chain stores.

A prime example is the Verona Hometown Pharmacy, managed by Gary Bongey. The Bongey family has been synonymous with pharmaceutical care in the Verona community since Bongey's father opened Verona Pharmacy in 1958.

Both Gary and his sister, Pam McAllister, are pharmacists, and Bongey partnered with his father for some years before selling the business to McAllister. When the original store burned down in 1997, the family reopened in space next to the local grocery.

McAllister eventually sold the company to Walgreens in 2004, and Walgreens built a new store with McAllister behind the counter on the site where the original Verona Pharmacy was located before burning down.

One month later, MD Group opened a new Verona Hometown Pharmacy with Bongey at the helm in the recently vacated space next to the grocery.

Starting from scratch with neither patient files nor clientele base, Bongey has already built up a level of prescriptions that is about three-fourths his business before the Walgreens sale. He said that many of his customers have known him since he was a boy and appreciate being greeted by name.

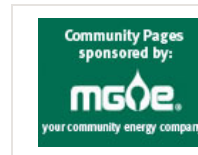
"I know them all and I can tell what kind of mood they're in when they walk in the front door," he said. "I know their kids and their grandkids - it's the kind of thing we can offer because we aren't as busy, and to me it's just the only way I care to practice pharmacy. It's a hard enough job without taking all that personal contact out of it and reducing it to nothing but a machine-like environment."

Finding an advantage\ With insurance and Medicare leveling the cost of medications for most consumers, that personal touch is an advantage that independents can bring to the counter.

Moreland Plaza Pharmacy co-owner Scott Hoff said that his Waukesha-area business thrives in the midst of five Walgreens and a Wal-Mart by "providing services that the big boxes can't do."

Whether filling pill trays, providing free home delivery or simply taking the extra time to talk to customers so they don't feel rushed, Moreland Plaza Pharmacy is serving the third and fourth generations of many families.

"The customers we have are a very loyal set," Hoff said. "They have enjoyed the service they get, and they don't necessarily



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shop around."

There has been a pharmacy since 1889 in the building occupied by Sharrow Drugs Inc. of Columbus, which faces competition from a Walgreens built less than a year ago in the small town of about 5,000 residents.

Co-owner Margaret Sharrow Agnew said they combat the lure of Walgreens' drive-thru window and later hours by offering personal services like in-house credit and free delivery service "with a smile."

"We had a few (customers) leave us, but I don't think we had as many as we thought we were going to have leave us, and some that have left have come back," Agnew said. "People feel very confident in the pharmacist we have here, and they always have."

Walgreens expansion There is no denying the attractions of chain pharmacies like Walgreens, which operates 195 stores in Wisconsin and has a stated goal of opening 7,000 stores in America by 2010.

Automated refills, express pay and nationwide service at more than 6,000 locations are only a few of the benefits of the Walgreens network, and Walgreens corporate spokeswoman Carol Hively said that an increasing number of prescriptions means more business for everyone.

"We're opening new stores in many small towns and rural communities, as well as continuing our expansion in major metropolitan and urban areas," she said. "The market share for all pharmacies is increasing, primarily due to the aging of the Baby Boomers."

With about \$30 million in annual gross sales, the MD Group is holding its own against big box competition. Mabie said that most people who patronize an independent store have made a deliberate choice to be there, so the opening of a big box pharmacy in a community that already has competition usually has a negligible effect.

"If you don't have any other competition in your community when Walgreens comes in they do take 5-10 percent of your business," he admitted. Mabie added that any losses are usually recouped within a year by growth in the community and number of prescriptions.

New pharmacies get help\ Mabie, Strause and other members of Greenwood's Financial Group have recently purchased the Greenwood's State Bank in Lake Mills as a means of encouraging growth in independent pharmacy. The group hopes to have a national focus as well as add to Wisconsin's 330 independent pharmacies by educating students about opportunities in the industry and providing pharmacy-friendly financing.

"We're hoping there's more people like me out there that want to work for themselves instead of working for a big chain," he said.



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