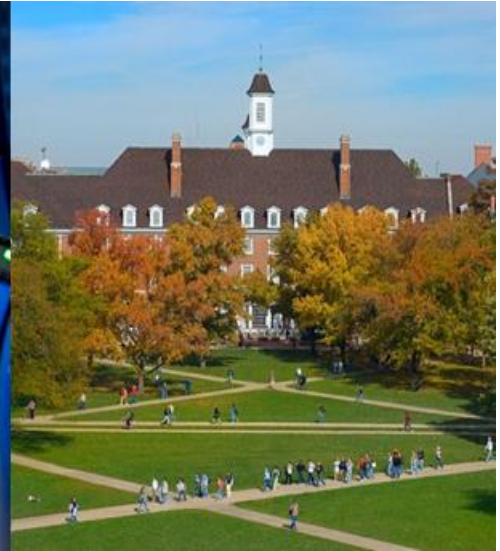


Illinois Business Consulting

The Nation's Largest Fee-Based Student-Run Consulting Firm



Student Run

Project Based

Company Focused

University Sponsored

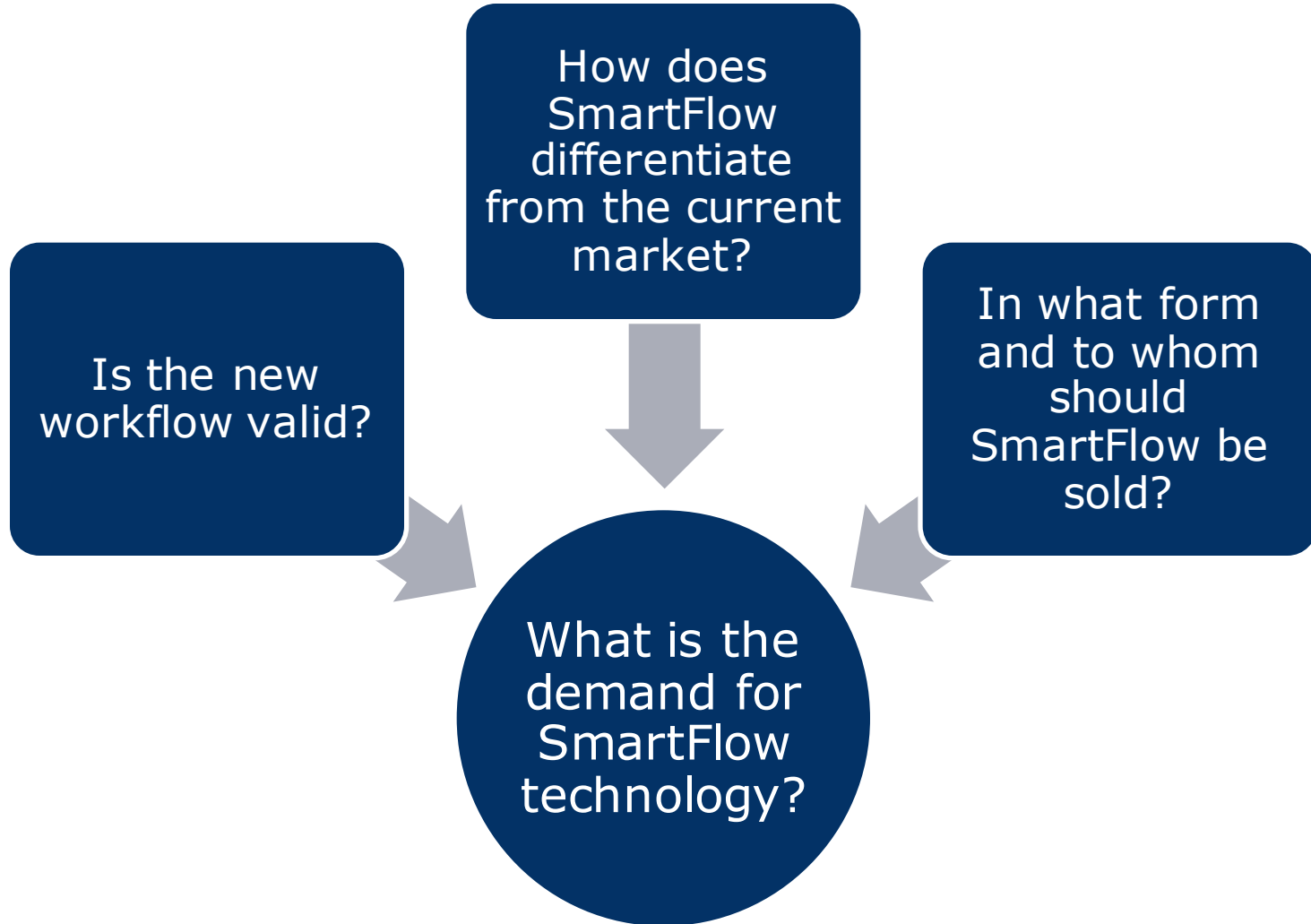
- 250 to 300 students per-year
- Students are peer-selected
- 1 in 5 acceptance rate
- The University's top talent

- 75 projects last year
- 1,200+ projects since 1996
- 12-14 week semester-long engagements
- 800+ student work hours per project

- Over 500 clients since 1996 including:
 - Fortune 500 Multinationals
 - Government Agencies
 - Non-Profit Organizations
 - Start-ups

- Operates under the College of Business
- Access to the research and expertise of U of I
- Professional guidance and oversight
- Client owns all intellectual property & deliverables

Key Questions to Guide Direction of Project





Market Evaluation

- Understand Workflow
- Identify Key Participants and Competitors
- Understand how SmartFlow Differentiates

Validation

- Ensure Efficiency Claims are Valid
- Ensure Satisfaction Claims are Valid
- Confirm the End Result will be Profitable

GTM Strategy

- Plan Go to Market (GTM) Strategy
- Create Deliverables (Financial Model, Dashboard, GTM)
- Make Final Recommendations and Determine Next Steps

By carrying out this methodology throughout the engagement, the team has met goals and needs previously set.

Overview of Recommendations to be Presented



Claims of SmartFlow have been validated

A market exists for the product

Initial target includes independent pharmacies

By understanding the general flow of the presentation, we can have a general understanding and get into specifics later on.

Validation Summary Shows SmartFlow can Improve Other Pharmacies



Validation of Employee Satisfaction

- Resounding approval of SmartFlow users in comparison to other pharmacies

Validation of Productivity

- Technicians can fill more prescriptions, averaging 135
- Pharmacists can also fill more prescriptions, averaging 375

Validation of Profitability

- Savings of up to \$130,000 a year after initial purchase of SmartFlow
- Depending on needs of other pharmacies, validation can be used flexibly

As both the validation of financials and the validation of employee satisfaction were met, **IBC can validate SmartFlow as a whole.**

Employee Satisfaction Survey Overview



Goal: Compare employee satisfaction levels between pharmacists and technicians that use SmartFlow and those that do not

Content

Survey included 10 questions, which were hosted on [surveymonkey.com](https://www.surveymonkey.com)

Format

Answer options for most questions are:

- a) Strongly Agree
- b) Agree
- c) Indifferent
- d) Disagree
- e) Strongly Disagree

Analysis

After collecting the results, numerical values will be assigned to each answer, and we will be able to identify differences and trends.

IBC has used the results from this survey to validate that indeed **employee satisfaction is increased when using SmartFlow.**

Survey Responses Show High Levels of Satisfaction with SmartFlow



Findings

Resolving insurance claims is the most time intensive task

66.7% of technicians using SmartFlow and 40% of pharmacists **not** using SmartFlow ranked “resolving insurance claims” as the most time intensive task.

Pharmacists **not** using SmartFlow have low levels of job satisfaction

Only 10% of pharmacists **not** using SmartFlow “agreed” or “strongly agreed” with the statement, “I am happy with my job.”

Majority of pharmacists feel like they need additional technology or automation for their job

50% of pharmacists “agreed” or “strongly agreed” with the statement, “I feel like I need additional tools or automation for my job.”

Pharmacists at pharmacies **not** using SmartFlow are spending a significant amount of time resolving insurance claims, unhappy, and desire additional technology/automation.

Performance, Business, and Market Metrics Drive Value of Workflow



Productivity, profitability, and satisfaction are the three main metrics we incorporated into our financial model/tool to validate and value the SmartFlow system.

Performance Metrics

Adherence Measures – Patients receiving needed medicines

Medication Safety Measures – Dosing, High-Risk, Drug Interactions

Customer Satisfaction – Fast, Accurate, Helpful, Knowledgeable, Personal Service

Employee Satisfaction – Content level, Turnover Number

Setup Efficiency – Proximity of Pharmacy Areas and Tools, Speed to Process Order

Pharmacy Team – Clinical vs. Production Pharmacist, Patient Services, Knowledge Focus

Business Metrics

Sales Volume & Growth – Total Prescriptions, Return-to-Stock

Profitability – Gross Profit, Inventory Cost of Goods Sold

Productivity & Operating Efficiency – Payroll, Operating Expenses

Cash Flow, NWC & Asset Management Efficiency – A/R, Inventory

Solvency, Stability & Liquidity – Current Ratio, Quick Ratio

Market Metrics

Products and Services – Branded Prescription Drugs

Major Markets – Consumers 35 and Older, Government Health Programs

Geographic Distribution – California, Texas, Great Lakes, Mid-Atlantic, South-East

Growth – Quality, Weaker Companies Fall Out

Demand – Higher Prescription Drug Use, Prices, Age, Government Regulation

Costs – Consolidation in Drug Making from Expensive Production

J&D's Success: SmartFlow Increases Employee Productivity

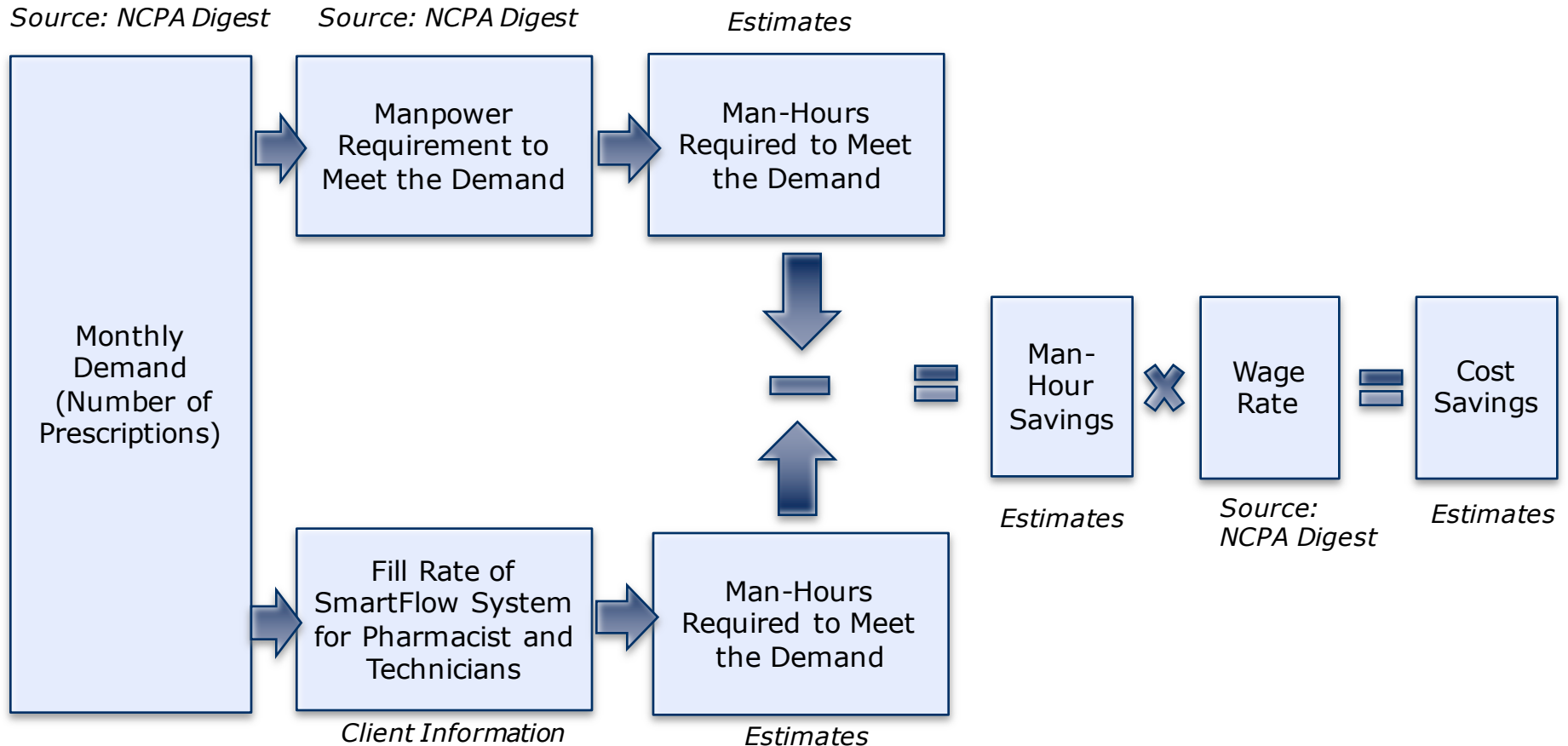


| Workflow Type | Traditional (Independent Pharmacy Average) | SmartFlow (J&D Pharmacy) |
|--|--|--|
| Average Rx's/day | 257 | 375 |
| Average Verification/day For Pharmacists | 171 (1.5 Pharmacists/day are needed for 257 rx's/day) | 375 (1 Pharmacist/day is needed for 375 rx's/day) |
| Average Filling/day For Technicians | 73 (3.5 Technicians/day are needed for 257 rx's/day) | 135 (2.8 Technicians/day are needed for 375 rx's/day) |

Traditional workflow demands pharmacists to perform duties that can be handled by technicians, e.g. filling prescriptions; whereas SmartFlow eliminates such duties for pharmacists and promotes a more productive environment.

SmartFlow has an **advantage in introducing an efficient process** which reduces workforce & improves overall prescription verification filling output, compared to traditional pharmacies.

Methodology – Cost Savings Due to Manpower Reduction

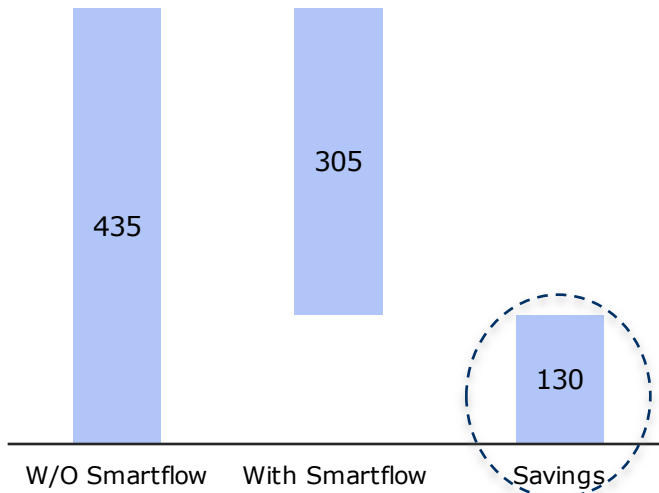


This methodology will determine manpower hours saved and thus provide potential clients with tangible savings.

Profitability – SmartFlow Leads to an Average Cost Savings of \$130,000/Year



Expenses (USD Thousands)



Key Highlights

- Substitution of high cost employees (Pharmacists) with low cost employees (Technicians) and better utilization of workforce leads to significant cost savings.
- Reduces the payroll expenses by 30%
- SmartFlow pulls down the payroll expense from 13% of the revenues to around 9% of the revenues which directly impacts the bottom line.
- With the same number of manpower hours, the SmartFlow system can potentially increase the pharmacy capacity by 46%.

| Category | Fill rate /day – Industry Average | Fill rate/day – J&D Smart flow |
|-----------------|--|---|
| Pharmacist | 171 | 375 |
| Technician | 73 | 135 |

SmartFlow system increases the profitability of pharmacists and technicians by **reducing the number of man-hours required to meet the demand.**

Case Study: Mike Fapore (Pharmacy Owner) Praises SmartFlow



Mike Fapore, owner of Medicine Shoppe Pharmacy, has been using the SmartFlow System for 9 months.

The redesign of his pharmacy took 3 days. There was a steep learning curve for his employees and customers, but they are now satisfied with the system.

“Potential to increase efficiency, no question” - Mike

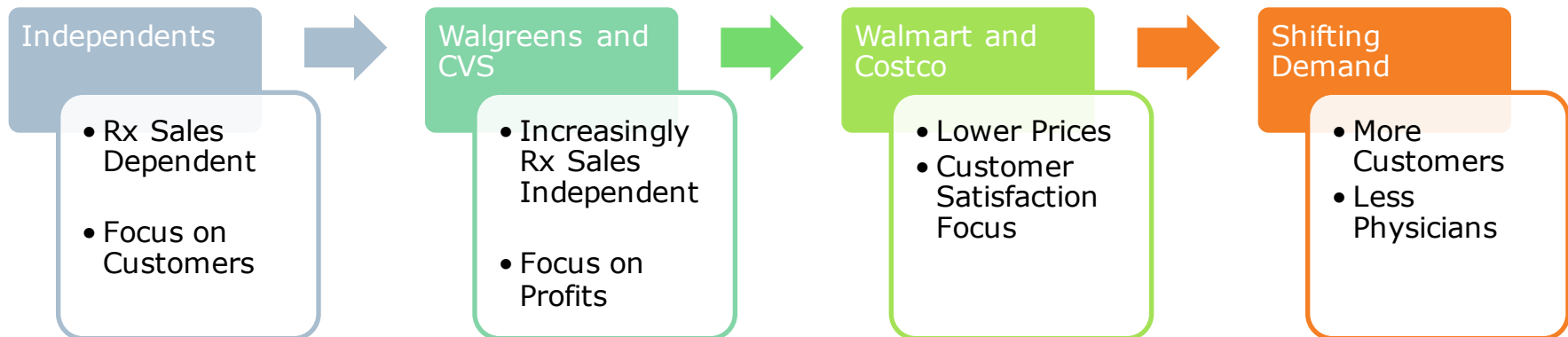
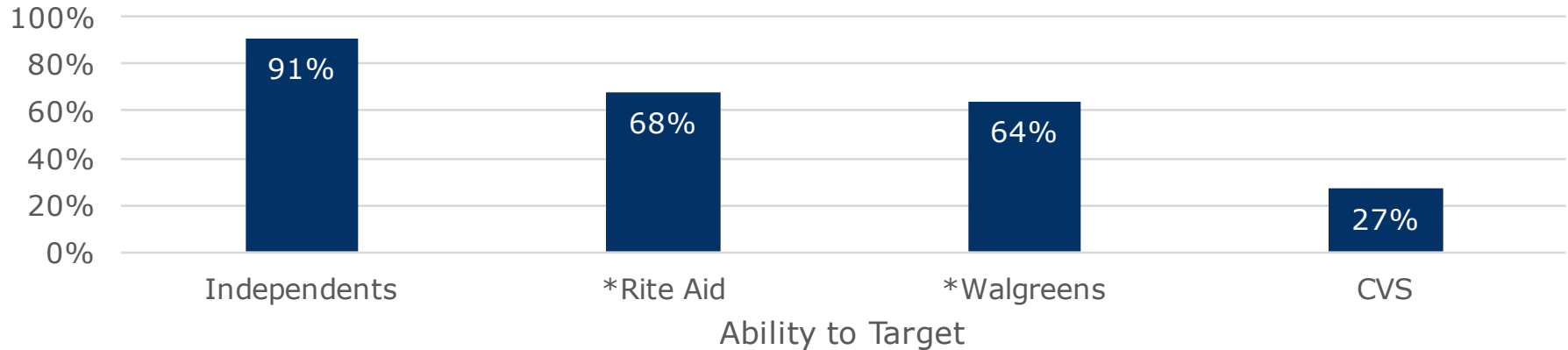
“No perfect system out there, but this is the best one I’ve used” - Mike

Independent Pharmacies are Best to Target Due to High % of Rx Sales



% Revenue from Prescriptions

*In the Process of Merging



Due to independents' high Rx sales, as opposed to OTC drugs and other items, they are best to target first in the GTM strategy.

SmartFlow paired with Retail Pharmacy Technologies

J&D
Pharmacy • Home Medical Supply



SmartFlow can pair with technology software services to complement improvements to traditional business tracking with its physical improvements of workflow.

Current software technology for pharmacies resemble traditional business software such as Point of Sale and Electronic Data Interchange

Efficient software for business operations, but does not physically impact workflow like SmartFlow

Opportunity for complementary licensing with pharmacy software for physical SmartFlow system

*Advanced technologies exist that could focus on services such as mail order that don't rely on SmartFlow in a traditional sense

SmartFlow System is a Lucrative Investment Opportunity to Independents



With a stellar NPV and a quick payback period, investing in SmartFlow appears to be a **high power investment**.

| Year | 1 | 2 | 3 | 4 | 5 |
|---|-----------|-----------|-----------|-----------|-----------|
| Cash Inflow/Benefit | \$130,726 | \$130,726 | \$130,726 | \$130,726 | \$130,726 |
| Cash Outflow | | | | | |
| Initial Outlay (Including Interest of 10%) | \$32,040 | | | | |
| Recurring Expense | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 |
| Total Cash Outflow/Cost | \$44,040 | \$12,000 | \$12,000 | \$12,000 | \$12,000 |
| Net Cash Flow | \$86,686 | \$118,726 | \$118,726 | \$118,726 | \$118,726 |
| Steady State Cash Flow | \$118,726 | \$118,726 | \$118,726 | \$118,726 | \$118,726 |

[Link to Model](#)

- The net present value (NPV) of the project @ 10% discount rate is \$420,937
- The payback period for the initial investment is less than a year

Note:

- Investment effectiveness parameters are estimated with a horizon of 5 years.
- Interest rate and discount rates are both assumed to be 10%.
- NPV is the net value that an investment is adding to the firm today. The higher the NPV, better it is.

Key Takeaways from Questionnaire Dashboard



Technicians and Pharmacists **with** SmartFlow

- Significantly improves technician and pharmacist work experience
- Can meet expectations much more easily using SmartFlow
- Higher efficiency in data entering and product recommendation
- Significantly less stress level

Technicians and Pharmacists **without** SmartFlow

- Experience higher level of stress
- Less capable of meeting customer expectation
- Feel a need for additional equipment
- Believe that physical environment hinders work efficiency

[Link to Questionnaire Dashboard](#)

The survey reveals that **pharmacist and technicians are much more efficient when SmartFlow is in place** in comparison with those who do not have SmartFlow.

Overview of IBC's Recommendations for SmartFlow



SmartFlow's improvements to the typical pharmaceutical workflow can and have been validated, and other pharmacies should see an improvement in **productivity, profitability, and satisfaction.**



The market is currently ripe for entry, as **there is demand for an improved system.**



By targeting independent pharmacies with a certain set of characteristics, SmartFlow will be able to have the largest impact. Final deliverables can be shown to prospective clients to encourage a move to the SmartFlow system.

Presentation Agenda



Presentation Overview 4

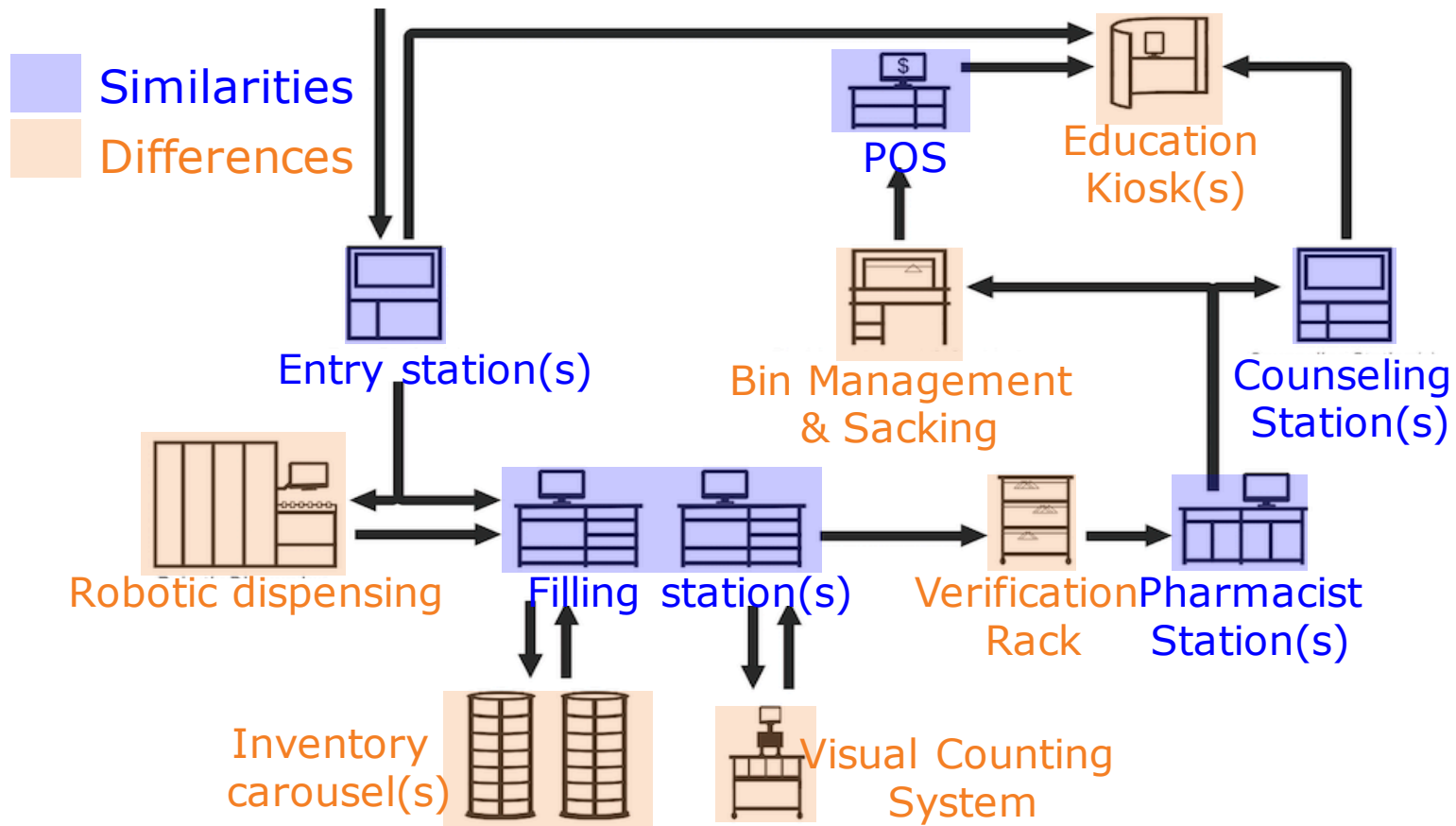
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Process Differs Greatly Between SmartFlow and Traditional Workflows

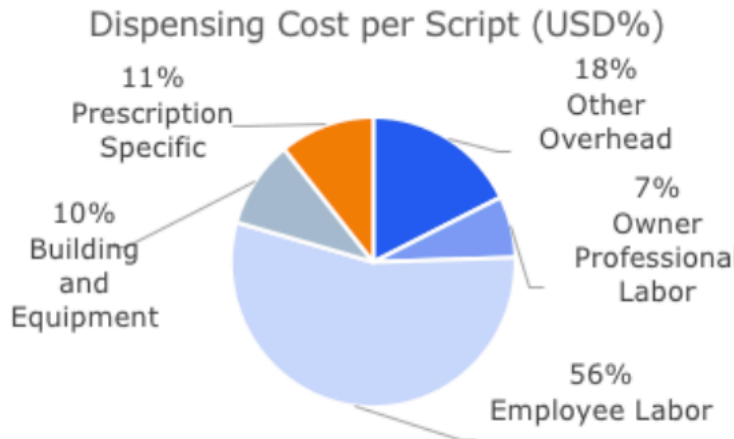
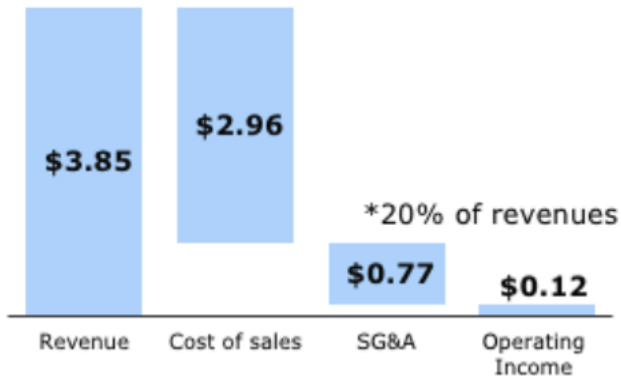


SmartFlow **improves the efficiency** of a pharmacy store by modifying each step involved in the traditional workflow and adding more components to the traditional workflow.

Top Independent Pharmacies are Reliant on Prescription Sales



Composition of P&L (Mn USD)



Key Highlights:

91% of revenues are from prescriptions

Top performing independents are able to cut COGS from a 76.8% industry average to 72.6%

Independents employ 8.5 additional pharmacists and technicians beyond pharmacist owners

Number of full time workers per store is 10 and average prescription charge per store is \$56.04

Average sales were 7.4% higher across industry compared to top independent stores

Independents incur greater costs on prescription drugs while relying on this product for a majority of revenue generation, presenting a target market for SmartFlow.

Profits Across Industry are Differentiated by Sources of Revenue Generation



Revenue is the area that differentiates a chain pharmacy from an independent while costs remain consistent throughout the industry, **providing a standard area for improvement.**

