Customer Profile:
Keith Bibelhausen, Hartig Drug

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THE CHAIN MARKET REPORT 2007

A Snapshot of Where the Chains Stand with Technology and Their Priorities, Based on *ComputerTalk*'s Exclusive Annual Survey. Story begins on page 18

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Hartig Drug: Centralized Control Is Key to Success

by Will Lockwood

Over its 102-year history, Hartig Drug has grown into a chain of 15 stores in three states across the central United States, from Mississippi in the South to Wisconsin in the North. Hartig also owns a long-term care pharmacy and a DME business. Befitting a company that clearly doesn't stand still, the chain has recently added a few new feathers to its cap. Most visibly, there's a brand-new flagship store in Dubuque, Iowa. The store is in a great spot, according to Hartig President Keith Bibelhausen — midtown and conveniently located near three colleges. Moreover, Hartig has built a store that's well suited to such a prime location. It's 14,000 square feet, with two pharmacy drive-through windows; an up-scale gift area; a complete assort-

Hartig Drug President Keith Bibelhausen.

ment of OTC items, including an extended assortment of cosmetics and health and beauty aids; a fully digital photo lab; an in-store postal station; a full-service, in-store bank branch; and even an upscale Internet café. It's all part of Hartig's strategy to give customers any number of reasons to visit, according to Bibelhausen.

The company has also made some major upgrades behind the scenes recently. Namely, Hartig now runs both its point-of-sale (POS) and pharmacy management systems using chain functionality that makes it easy to administer all its stores from the home office and keep everyone on the same page. While less visible to customers, these upgrades are fundamental to the quality of service that is Hartig's hallmark.

Taking Control

According to Bibelhausen, the goal was straightforward: "We wanted to centralize our patient and product information." This allows not only for much greater control over front-store data at headquarters, but also moves pharmacy data from being siloed in each store to being dynamically available at any location — a boon when it comes to patient and other clinical information. These abilities are powerful tools for putting the best data in the hands of pharmacists and store managers, which in turn means that Hartig's customers get the best, most uniform service possible. It's an elegant concept that clearly requires some serious expertise to pull off. Fortunately, thanks to the team at Hartig and its vendor partners, Retail Management Solutions (RMS) and Cerner Etreby, the concept has become an effective reality.

Clean Data

Hartig has been running Retail Management Solutions' POS with a headquarters package for about a year now. "We needed a data file that would allow each store to operate with a consistent inventory, item updates, pricing, promotions, and centralized AR," says Bibelhausen. "We were looking for a system that would allow us to control data on a central server and then push it down to the store level." This desire for POS information to radiate out from headquarters suits the nature of the front-store business. For an example, Bibelhausen describes how product information is provided by Hartig's vendors in a flat file, which is easily loaded into the SQL database of the Windows-driven RMS POS system. The central office handles such tasks as pricing and then

pushes everything out to the stores, which can't add items or make changes — an important point. "This method has kept our data clean because very few hands touch it," Bibelhausen says.

Another big benefit of clean data is better tracking of inventory and accurate snapshots of "what we own today," as Bibelhausen puts it. This accuracy comes in handy when used in conjunction with counts from store-level inventories. When a Hartig location does a store inventory, the staff takes a snapshot of the store inventory to freeze it in time, then zeroes out the counts. Next, they scan the stock to generate an on-hand number, which is time and date stamped. Since the POS is also recording the time of each sale that occurs while an inventory is underway, logic in the system can filter these out to give a true on-hand count. This means that Hartig doesn't have to close stores to do inventory. From this inventory file, the staff runs various reports that show discrepancies between the store count and headquarter's inventory record. They can then view individual items and categories to research shrinkage or exceptions as necessary.

Useful Data

The ability to aggregate and mine this data is another big plus of centralized POS. For example, Bibelhausen points out that the company has an expert in database programming and management on staff who can query the database to look for refunds, price overrides, coupon issues, and other exceptions that may indicate either an honest error or even fraud. "We rely on this kind of transactional data mining to make sure every store is running according to our standards," says Bibelhausen. "Our data allows us to trace problems back to a specific cashier with a date and time stamp." Quality, aggregated pricing and sales data then ensure that the central office has the information it needs to establish precise costing. "When we know our costs, we can look for where to save money purchasing," says Bibelhausen. The centralized database also helps streamline accounting, since it allows for exporting chain-wide financial data into a spreadsheet that can be uploaded directly into Hartig's general ledger.

The centralized POS database is going to have an effect on Hartig's ability to retain its customers. It will be the engine for the loyalty card program that the company is planning to roll out to track visits, discover shopping patterns, and create special offers to encourage return visits.

Connecting Pharmacies

Chain functionality can also have a big impact when it comes to pharmacy data and operations. Hartig moved to centralized data on its Cerner Etreby pharmacy management system last year, as well. In this instance, Hartig uses what Bibelhausen calls a replication model. In short, each store maintains a server that connects to the central office over a T1 line every five minutes, both to deposit and retrieve new data. "For all intents and purposes, this is real time," says Bibelhausen. The shared data includes not only patient profiles, but also drug and doctor files, third-party details, and pricing. This means that Hartig's pharmacy staff has consistent, current data — which is a big help when it comes to providing fast and seamless service, no matter which store a customer visits.

Many Benefits

One of the most significant outcomes of this centralized, uniform pharmacy data is improved safety. "The profile of a customer who has had prescriptions filled at one of our stores is complete and available at any other store for DUR [drug utilization review] and other reviews," Bibelhausen points out. Another improvement is in the works. A forthcoming upgrade will make use of the dynamic, high-speed connection between stores and the central office to provide an important layer of redundancy. "The system is going to be designed so that if a server fails at the store, we will switch off of the LAN and onto a WAN and operate from the corporate server," says Bibelhausen. This means that Hartig locations will be able to continue serving customers safely when they otherwise might not have been.

Stronger Performance

While safety and continuity of service are of extreme importance, the Cerner Etreby system's chain functionality can also help with another key to running a

Hartig Drug's newest location.

successful pharmacy — the bottom line. "Pricing is an absolutely critical piece of pharmacy profitability, because inventory is our biggest cost," Bibelhausen says. Combine this with the fact that pricing in the pharmacy is highly dynamic and requires meeting third-party payers' requirements, and you can see why Bibelhausen attaches great significance to the ability to run frequent pricing reports that pull data from across the chain. "We can very easily see where we're having issues with Medicaid, Part D, or any third-party," he says. Not only can the central office track pricing issues arising from these external sources, it can also retrieve and follow every keystroke in the pharmacy. "We can see if someone overrides a price at the pharmacy that will cause an issue with a payer," explains Bibelhausen. "We can correct this and avoid leaving money on the table."

The Future

So whether it's gaining control over managing the front store or giving each pharmacy's staff access to the most up-to-date and accurate information and keeping a firm grasp on prescription margins, chain management features are making a big impact at Hartig. The technology gives the company a dynamic set of operational tools to help ensure that customers attracted by the venerable brand and cutting-edge store offerings have the right kind of experience — one that will keep them coming back over the course of the next 100 years. **CT**

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