

# Owning your pharmacy: The \$500,000 Question: Buy or Build?

*This is part 3 of a 6-part series focused on how to get started opening a new pharmacy.*

After you decide you want to own an independent pharmacy, you face another major decision. Will you start from scratch to build the pharmacy of your dreams, or will you acquire an existing pharmacy and reshape it with your vision?

Both options have advantages and drawbacks.

Here are some things to consider — based on years of experience — to help you make this decision.

## Check out your market

Market research will help determine if either is an option.

If there are only chains in your target market and no existing independent pharmacy, then you'll have to build. That is, as long as you are committed to that particular market.

If you think you want to build but can't find any suitable space in the market to lease or buy, acquiring an existing pharmacy may be the only way to go.

So, step one: assess the market.

## If you build...

An average pharmacy startup needs \$500,000 to build out the space, purchase inventory and have the necessary working capital to cover expenses until cash really begins to flow. (And the exact amount can differ by market.)

No matter how many customers walk through the doors in those first months, you'll still have expenses to pay. Reaching positive cash flow can take six months to two years.

Pros of Building	Cons of Building
<ul style="list-style-type: none"> <li>• Patients may be drawn to a new business</li> <li>• You shape pharmacy's image from Day 1, including how you hire and train staff</li> <li>• You open with building and equipment you want</li> </ul>	<ul style="list-style-type: none"> <li>• Takes time to build</li> <li>• May delay reaching positive cash flow</li> <li>• Need to recruit and train all staff from scratch</li> </ul>

Building can be slower and higher risk, but it provides more control. In some situations, building may be the best or only option.

## If you buy...

The cost of an acquiring a pharmacy will vary by factors including the prescription volume, the overall profit of the business, and whether you are purchasing the building along with the business. The average cost is \$800,000 to \$1 million.

Pros of Buying	Cons of Buying
<ul style="list-style-type: none"> <li>• Immediate cash flow from existing customers</li> <li>• Established position in the community</li> <li>• Already staffed</li> </ul>	<ul style="list-style-type: none"> <li>• Pharmacy's image may need work</li> <li>• Building and technology may be outdated</li> <li>• Staff may include the former owner's family members, and you may need to adjust payroll and benefits</li> </ul>

If you are building from scratch, you'll need to work with experts on the design and construction of the pharmacy. As a buyer you'll need experts who can calculate the proper value of the business, negotiate with the seller and draw up the contract.

Those are just some of the considerations you will need to weigh as you decide whether to build or buy your independent pharmacy. Regardless of your decision, keep in mind that neither path is a one-person job.

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Whether you already are a pharmacy owner or hope to be in the future, stay on top of industry news by following RxOwnership on [Twitter](#) and [LinkedIn](#).

Sincerely,

Chris Cella, R.Ph. and the RxOwnership Team

[www.RxOwnership.com](http://www.RxOwnership.com)

[RxOwnership@McKesson.com](mailto:RxOwnership@McKesson.com)

800.266.6781

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