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DRUG TOPICS SPECIAL REPORT

# Costco Pharmacy *Drug Topics*' Chain of the Year

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## **This company is taking pharmacy services to new heights in an unlikely retail setting**

Huge boxes of crackers and candy are stacked high on enormous shelves. Large packages of salmon fillet and baby lamb chops beckon from oversized refrigerated cases. TV sets are stacked as far as the eye can see. And in one corner of this gargantuan warehouse, an employee doles out samples of chicken potpie. Can a pharmacy be successful in this unconventional, no-frills setting that caters to wholesale club members?

The setting suits Costco Pharmacy just fine. From offering value-sized over-the-counter and prescription drugs to offering disease state management programs to rolling out automated technology to caring for its employees, the Issaquah, Wash.-based firm stands out as one of the top chains in the country. These achievements led Drug Topics to select the company as Pharmacy Chain of the Year for 2002.

## **Technological enhancements**

Vic Curtis, Costco's assistant v.p./general merchandise manager, was summoned two years ago to research and propose a design for automation. "We looked at several vendors and systems before we

made our choice to roll automation out to 272 pharmacies. It's like jumping on a moving train. Where do you want to get on? Technology is always advancing. We had to address rapidly increasing Rx volume; that made it important for us to have an agenda sooner rather than later," he explained.

Costco selected Innovation Associates' PharmASSIST system as its automation vendor and is now in Phase I of its plans. This consists of automating 35 pharmacies this year. "This is a combined effort between us and Innovation to develop a custom workflow solution—we're working in a consulting capacity to help them understand the needs of pharmacy today. We're focusing on automating procedures, not just on automating the counting process," said Curtis. The hardware model Costco is using consists of two order entry workstations, two verification stations, a filling station, a bin management station, a customer look-up station, and signature-capture devices.

Curtis envisions the greatest benefit of automation to be enhancing quality of life for R.Ph.s and enabling the firm to retain and attract pharmacists. "The goal of automation is to free up pharmacists and allow them to use their education to consult with patients and participate in

pharmaceutical care programs." Emphasizing that, until now, Costco has not been a PC environment, he said, "We went from zero PCs to seven per pharmacy—that's a huge number when you look at 272 pharmacies. Our IS department said it may well be the biggest project they ever tackled."

Costco will conduct four automation pilots in June. The target date for completion of automation in 35 pharmacies is April 2003. Ten of those will have 150 counting devices. Most of the 35 locations will have a new pharmacy design, and any pharmacies constructed in the future will have the new design. The older pharmacies will eventually be converted. Curtis said the system also features Rx tracking that instantly locates prescriptions every time they move from station to station. Additional software tools will be provided to give R.Ph.s access to the Internet and to an electronic compendium of drugs.

Craig Norman, assistant v.p. of pharmacy operations, said, "Automation and disease management are the cornerstone to our operation in the next five to 10 years. We've grown substantially, and our pharmacies are becoming very busy. It's important for us to offer automation support that will allow our locations to continue to

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grow without cramming more bodies into a small pharmacy. And we have to do that to remain competitive from a recruitment standpoint too."

### **Taking care of 650 R.Ph.s**

In addition to supporting pharmacists by enhancing technology, Costco is very attuned to keeping employees happy. Noting that most of the company's locations are closed on Sunday, Norman said, "We are very unique in the chain drug industry. We have some definite quality-of-life advantages over the typical chain location that is open 13 hours a day, seven days a week. Most of our pharmacy managers are able to arrange their schedule so they work Monday through Friday with some alternating Saturdays. Most of our locations are open 10 a.m. to 7 p.m. Monday through Friday and 9:30 a.m. to 6 p.m. on Saturday. It's the type of job that lets you practice retail pharmacy in a progressive chain environ-

ment and still have time for your family and outside activities."

Norman also boasted that Costco offers a handsome bonus program for pharmacy managers, which ranges from \$8,000 to \$11,600 a year. "We have six operational categories that pharmacy managers have goals in, and we set those out toward the beginning of each fiscal year. The categories are sales, gross margin, generic utilization, inventory shrink, expense control, and a discretionary portion for an evaluation by regional supervisors," he said.

Yet another way the chain reaches out to pharmacists is by offering support personnel. "The key thing that distinguishes us from competitors is our ancillary help that allows them to do their job and give the service they want to offer," said Norman.

Burnett added, "We have not run into a problem recruiting pharmacists because we have a reputation as a good place to work. We have a very, very low turnover."

### **What of the future?**

What will the future hold? Costco is set to open pharmacies in several new markets, including Indiana, Missouri, and Ohio. The firm is also expanding in Arizona, California, Florida, Hawaii, New Jersey, Pennsylvania, Puerto Rico, and Texas.

Commenting on the chain's success, Burnett credited James Sinegal, Costco president/CEO, as well as Costco's employees. Sinegal, he said, "had visions for pharmacy, for the company, and just about any innovation that we made was usually something that came out of his head. That's why we've grown the way we have. But we'd be nowhere without the people who work for us."

*Sandra Levy*

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