

Just What the Doctor Ordered

CVS, the national drugstore, found the right Rx for tax credits.

By Denise Doig

CVS is the largest chain drugstore in the United States with more than 5,000 stores in 36 states, 13 distribution centers, a number of regional business offices, and more than 40 years of experience in the retail pharmacy industry. As they look to develop hiring and training programs in suburban, urban, and rural areas, the recruitment of good employees has created an internal need for workforce development. CVS was an early pioneer in federal Work Opportunity Tax Credit programs. Its Government Programs department works with HR to identify nontraditional ways to support recruitment and workforce development.

One of the Government Programs department's responsibilities at CVS is to oversee the tax credit side of workforce development—seeking out new incentive opportunities, working on existing tax incentives, and forming partnerships to learn what else is available. The challenge many companies face is wading through the numerous tax incentives available. You have to identify the program, figure out eligibility, apply, and do all the necessary leg work—a time-consuming process. Ernie DuPont, director of Workforce Development Initiatives, says, “The reality was we didn't take the time to dig into all the incentives out there. We didn't have the resources.”

CVS partnered with First Advantage Tax Consulting Services after conducting an RFP process and narrowing down its choices to three candidates; First Advantage was awarded the contract extension in January.

So far, the internal reaction to the partnership has been favorable. CVS has benefited from the types of incentives the Government Programs team has been able to access with First Advantage. “The reality of having these types of programs is being able to offset some of the investment we make in people,” says DuPont. “CVS hired more than 30,000 people out of special programs—veterans, disabled, and Welfare to Work.” By outsourcing its tax credit program, CVS has been able to generate millions of dollars company-wide that was reinvested in its company stores. Marie

Simmons, CVS's Workforce Development specialist, notes, “The relationship between First Advantage and CVS has been a positive one. They are extremely knowledgeable. They have the skills and talent to find tax incentives. That's what they do best, that's their business. Allowing us to go on doing what we need to do.”

The big draw between CVS and First Advantage are their similar values and goals. Both teams work well together, share the same work ethic and, according to DuPont, the First Advantage leadership of CEO John Long and Beth Henricks, Tax Consulting division president, resembles that of CVS. “During the presentations with potential vendors we rated flexibility of the vendor to adapt to CVS's culture,” he continues. “Because these vendors call directly to the store and speak with managers, they need to be sensitive to what is going on in our 5,400 stores and know how to handle situations appropriately.”

CVS is pleased with First Advantage's ability to keep abreast of any local and national changes that could be beneficial for their client. Simmons states, “First Advantage looks to improve their ability to help us to take advantage of what other incentives are out there.”

The Government Programs team has been thrilled with their relationship with First Advantage. Organizations looking to outsource should at least start the conversation with providers and initiate the relationship. DuPont offers the following advice to companies looking to outsource their tax solutions: “I know it's about the incentives, but you have to start with people. Sit down with providers and talk about opportunities. Start with the relationship or partnership, and make sure they have similar values.” Organizations should have a program in place to review incentive opportunities. For CVS, it was a matter of sitting down with First Advantage to see if those opportunities existed. They did.

But like all good things, this partnership hasn't been without a few minor bumps in the

road. The biggest challenge has been communication—making sure both parties stay in touch and are on the same page. “One of the things you have to do is present a unified message to field operators, and make sure they take ownership in the program. When communicating the program, it is through a closely combined effort between CVS and First Advantage,” says DuPont. For CVS the pluses far outweigh the minuses, and they are extremely happy with the results First Advantage has delivered. Simmons concludes, “We have a very successful relationship with First Advantage and will continue working with them as we meet our mutual goals.” **FAO**

The Data Behind the Deal

FAO CLIENT: CVS

FAO PROVIDER: First Advantage

DATE OF CONTRACT:

Original contract signed 2001, January
2005 contract extension

INITIAL SERVICES OUTSOURCED:

Tax credit incentives including hiring, location, training grants, and negotiated incentives; Welfare to Work and Work Opportunity Tax credit programs

GOALS OF OUTSOURCING

☑ Reducing tax liability in order to conduct training and other activities depending on what the type of grant and/or incentive

RESULTS OF OUTSOURCING:

☑ Hiring of an additional 30,000 employees and millions of dollars in cost savings company-wide

ADVICE TO NEW ORGANIZATIONS CONSIDERING FAO:

☑ Assess your incentive needs, initiate the conversation

THINGS TO LOOK FOR IN AN OUTSOURCING PARTNER:

☑ Communication, common values, skill and experience, responsiveness