



**Take Action to
Achieve Success!**

**Meet the AVCSuccess
Consulting Team**



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Dear Friend,

Inventory management is essential to having a well managed and profitable practice. Loss of profit from inventory affects all other practice operations and can lower the actual value of the practice.

Inventory is the second largest expense in most practices however it rarely gets the attention and control that is needed. The entire team should be involved in the structure and follow through on the practice protocols to managing inventory expenses. This allows the inventory system to run effectively and with accountability.

To move inventory management beyond the basic level for your practice, consider the following tips to streamline your efficiencies because proper inventory management can help increase profit and save you a significant amount of money.

1. Do a Complete Inventory Review

To create an inventory budget for your practice, you may want to start by asking some basic questions about how you are currently managing your inventory. This will provide a baseline to put together a plan to work forward from.

What inventory does your clinic currently have? What inventory do you want to have and what don't you need anymore?

Having control over the inventory on hand and getting it to turn over at the right rate is an important part of managing your inventory expenses.

Another important question to ask is what inventory do you have that is overlapping use?

How many antibiotics do you really need and in how many

different sizes? This can become a challenge when you have multiple doctors at a practice where every doctor has their own preference.

To help avoid overlapping use we suggest the doctors form a consensus on what drugs they agree on and what drugs aren't needed.

This will minimize the number of drugs with overlapping use that remain on the shelves longer than necessary. This inventory is money that's just sitting there and not getting turned over at the rate it should.

What will you do with inventory that is expired? Soon to be expired? Marked DNU?

Consider using a basket with "Drugs That Will Expire in 30 Days" to make sure you are using product that is soon to expire.

2. Clean Up the Inventory On the Shelves and in the Computer

Now is a good time to review your inventory report and put a plan in place to go through the clean up process.

Following review of the inventory report:

- Review what is currently in the computer and make associated changes.
- Mark inventory that will not be re-ordered as DNU.
- Determine what drugs you can discontinue carrying based on size and repetitive use and determine a plan to phase them out.
- This is especially important when looking at your flea and HW products. The products you purchased three years ago are probably not the same as the products that you are using now.
- Make changes in your practice management software to reflect appropriate reorder points, markups and dispensing fees.
- Consider using a "Drugs That Expire in 30 Days" basket to help with the management of inventory.

Some clinics accumulate expired drugs and that can become a problem so you may want to pay attention to expiration dates. If your practice has drugs that expire before they are used, do

you really need to carry them in inventory?

If You Don't Control Inventory It Will Control You

3. Put an Inventory Budget in Place

Do you actually budget your inventory? If so, how do you determine what the budget should be? Do you monitor it as you go through the course of the month or do you just look at it at the end of the month?

Very few practices actually have a budget in place. At the end of the month or quarter, you may be shocked to discover how much money went into inventory. Budgeting can really help to make a difference.

In making an inventory budget, decide if the inventory budget includes flea/tick, heartworm, lab tests and food. It is not enough to come up with a number 18% if your accountant put everything under cost of goods on your financial statement. You need to compare apples to apples.

Create an Inventory Budget with Re-Order Points

- Base it on the Previous Month's Gross
- Correlate it to your revenue (17%- 20%)
- Budget according to seasonal trends
- Budget by major category: Drugs, Flea/HWP, Diets
- Determine minimums
- Plan for Delayed Billing and Special Orders

Sometimes the special orders are a good deal, but often times the product will sit on your shelf so if you don't get the turnover out of it, the buy 5 get 1 free may not be a good deal after all.

4. Improve Client Compliance of Medication Administration Process

Set reminders on chronic or routine medications and related blood work to improve client compliance.

- Demonstrate administration techniques.
- Offer injectable option.

- Follow-up blood work scheduled as needed.

*Note: Less than 25% of clients administering prescribed medications according to doctor recommendations.

5. Price Shop Among Vendors

Build Relationships with Vendors

Some clinics only use a few vendors while others are really good at establishing relationships with multiple vendors and playing them off each other. Why not? They expect it as part of doing business, so try to get the best deal that you can.

Selective Ordering

Know when to take a deal...and when NOT to take a deal. The buy 10 get 1 free may not really be a deal if the inventory remains on the shelf or expires before it is used.



Many clinics try to stay lean, ordering the minimal amount. The reality is, no matter what you paid for it, if the inventory sits on the shelf, it's not a good deal.

Have a Protocol for Your Special Orders

It is the unfortunate side of business that the more you have in inventory in your practice, the more that may walk about the back door.

Think about the food you carry in inventory. If you keep on hand all your clients favorites such as Hills, Purina, Royal Canin and Iams, think about it. Do you really need to have all food brands on hand? Besides the duplication of use, there is the use of space and the cost of having it stored at your practice until it is sold.

In some of these situations where the client only likes a certain brand, you may want to make a special order so the client gets in the routine of calling in to place the order so you don't actually have it in inventory.

Online Pharmacy

You might also want to consider an online pharmacy option as a way of not having to maintain the inventory. Research online

pharmacy options, if you haven't done so already and determine protocol for when to refer clients to your online pharmacy.

Creating a strategy to manage inventory expense should be your New Year's resolution.

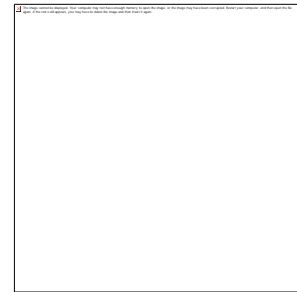
6. Organize Controlled Substances

Keep Your Controlled Substance Logs Current

- It's important to make sure controlled substances are organized. Keep your logs current whether electronic or paper.

Determine Key Holders

- Internal theft does happen and so you should put in place mechanisms to prevent it. Some clinics find it important to have key holders.



Have an Internal / External Theft System In Place

- Be sure to do frequent counts as a way to prevent the inclination of theft. When you perform an inventory count of your controlled drugs make sure your counts match your log.

7. Monitor Your Inventory Budget Monthly

Review your inventory budget as you go through the month and make purchasing decisions knowing where your current month's spending stands.

- Be sure you are in compliance with yourself for what your budget is.
- Know where the budget stands during the month, not at the close.

- Allow for extra expenditures as needed, but track these.
- Give credit for spending under-budget since the following month may require more inventory ordering.



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