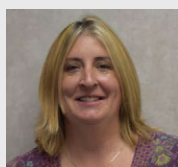


Revamp your inventory management strategy

There are small steps practices can take to ensure their strategy is efficient, effective and cost-controlling



SIAN WILTSHIRE

Sian Wiltshire, RVN, is an Inventory Management Specialist at MWI Animal Health, which provides veterinary wholesale, practice management technology and buying group services to over 3,000 UK practices. Previously, Sian spent 23 years as an RVN in small animal practice.

Pharmaceuticals and medical supplies represent some of veterinary practices' largest expenses. And, with the global animal health market expected to grow 5.75 percent between 2019 and 2026 (Grand View Research, 2020), inventory management will be an increasingly crucial component of a successful and profitable business. It's not uncommon for small practices to lose 25 percent of every pound they spend on inventory over the course of 12 months. In larger practices, it can rise to as much as 40 percent. This loss can take place for several reasons, but most often because product was dispensed or left the practice with no corresponding invoice or record of use. Some practices may be peripherally aware of the loss but feel they lack the tools and/or time to effectively prevent it, while others may not realise the full toll it is taking on their business.

Strategies for success

Determine stock thresholds to monitor inventory levels

Some common issues in inventory management stem from either under- or overstocking products, and both can negatively affect the bottom line. When understocked, a practice runs the risk of reduced profits and displeased customers if products are not available when needed. When overstocked, practices may experience higher costs for supply spend and labour, while also creating the risk of product expiration.

To strike the right balance, practices should develop inventory thresholds to help maintain proper stock levels to improve cash flow by adjusting the order frequency. A practice should keep less of the high-value products in stock but order them more frequently, while maintaining more of the low-value products in stock and ordering them less frequently.

An "A-B-C" analysis (**Table 1**) can be a great tool for prioritisation. A product's category should consider its monetary worth, intrinsic value and potential for revenue. Begin by developing inventory thresholds for the As – the items that account for the top 20 percent of revenue, value and/or consumption of the practice. Then, work through the Bs and Cs – the remaining 80 percent of revenue.

It is important to assess the average daily use of each product and determine how much stock is needed until the next order. Be sure to include some safety stock to account for the time it takes to receive the order, as well as unanticipated increases in demand.

Establish ordering efficiencies

While it may be tempting to pursue the most cost-effective option for each product, engaging several different suppliers can make the process tedious and time-consuming. Conversely, leveraging a single distributor will streamline subsequent orders and allow practices to develop a trusted, personal relationship with their distribution partner.

When seeking out a partner, look for a distributor with buying group capabilities. This enables the company to negotiate on its customers' behalves to secure the best prices. These efforts also benefit practice personnel – instead of spending time comparing numbers and negotiating, staff can focus their time on higher revenue-generating activities. The most effective partners will also offer added value services such as training and professional development, equipment servicing, human resources support, safety services, practice insurance and financial services.

CATEGORY	TYPE OF PRODUCT	EXAMPLE
A	High-value, high-volume pharmaceuticals	Vaccines, flea treatments, wormers, non-steroidal anti-inflammatory drugs
B	Mid-value, mid-volume pharmaceuticals and high-volume consumables	Prescription diets, chronic medication
C	Low-value, low-volume pharmaceuticals	Most consumables, blood transfusion sets, urine sampling kits, barium

TABLE (1) An "A-B-C" analysis aims to categorise the inventory based on the value it brings to the business

Couple automation with staff training

Implementing automated processes where possible is also an effective strategy to increase traceability and efficiency while reducing the likelihood of human error. A sophisticated, tech-forward inventory management system can show exactly what is in stock at any given time, track sales and trends in real-time and automatically create orders as needed based on the maximum and minimum values set in place. While there is significant value in automation, leaving it unchecked is likely to create compounding issues. It is important to train staff members to supplement automation with a cycle counting system, which ensures stock is still counted and checked on a regular basis. By coupling automation with personnel training, staff will have more time to focus their efforts on providing high-quality care.

Collaborate to develop a tailored solution

Inventory management can be complicated and time-consuming, so it is often valuable to engage an external partner to design, develop and install a comprehensive solution, tailored to respond directly to individual needs.

An effective collaboration begins with a site visit to identify unique inventory management challenges, followed by a consultation with leadership to design a bespoke solution that addresses those unique challenges. If there is ever a shift in practice offerings or patient population, external partners can help evolve the inventory management system to match.

Empower staff to uphold processes

Practices should look to designate "inventory managers" in an effort to reduce confusion, double ordering or inaccurate purchases. A sense of ownership over the inventory management process will encourage the selected staff to drive its success and continuity. Additionally, any new staff members must be thoroughly trained during the onboarding process to ensure they understand the procedures that have been set in place. Regardless of whether or not they are in the inventory manager role, each staff member has a stake in inventory management and a responsibility to uphold processes in their day-to-day activities. The key is reinforcement via periodic check-ins with staff.

Key takeaway

As we anticipate growth in the animal health market over the next few years, practices should take the opportunity to revisit and revamp their inventory management strategies now. With the proper processes and personnel training, inventory management can bolster profitability, generate satisfied clients and set up a practice for success. ^{VP}

References

Grand View Research (2020) Animal Health Market Size, Share & Trends Analysis Report by Animal Type (Production, Companion), by End Use, by Product (Pharmaceuticals, Feed Additives, Vaccines), by Distribution Channel, and Segment Forecasts, 2020 - 2027. [grandviewresearch.com/industry-analysis/animal-health-market](https://www.grandviewresearch.com/industry-analysis/animal-health-market)



- CT Scan £864

- MRI Scan £1152

- Endoscopy £360

- TPLO £1800

- TTA £1680

- Fracture from £1800

- Lung lobectomy £2160

- Spinal surgery £3500



Northwest Referrals
"Accessible Referral Services"
All services are fixed price



Tel: 01942 242001
Mob: 07753 683588
Email: info@northwestreferrals.co.uk





RCVS
ACCREDITED PRACTICE
SMALL ANIMAL HOSPITAL



OUTSTANDING
-DIAGNOSTIC SERVICES-
RCVS



OUTSTANDING
-CLIENT SERVICE-
RCVS

www.northwestreferrals.co.uk