



# Taking Control of Inventory

INCREASING THE POWER OF  
YOUR RETAIL BUSINESS

By Jennifer Barnes, Contributing Editor

**F**or dispensing physicians, controlling product inventory can be an overwhelming task. Products in storage or displays are rarely free or on consignment. Rather, they have monetary value because they are generally paid

and accounted for. In other words, product inventory equals cold hard cash.

Corporation. “One of my previous employers had a great way of looking at inventory,” he recalls. “He asked me what I saw on the shelves in our warehouse. I said I see cleansers, sunscreen, moisturizers, etc. My boss said, ‘I

you tend to pay closer attention to it.”

## BASIC PRINCIPLES

There are methods of retailing that lend themselves to the medical practice. “Products are the staples of your business,” reminds Dr. Elizabeth Roche of Woodcliff Lake, NJ. To keep inventory investment at a reasonable level, she continually reviews the average monthly sales of products when placing orders. “Always know your supply and demand,” she offers.

Mr. Klima suggests getting everyone involved. “All staff members who receive new inventory, stock shelves, and

see five-dollar bills here. I see a pile of twenty-dollar bills there. All over this warehouse, I see thousands of dollar bills.’ His message was clear. When you treat your inventory like money,

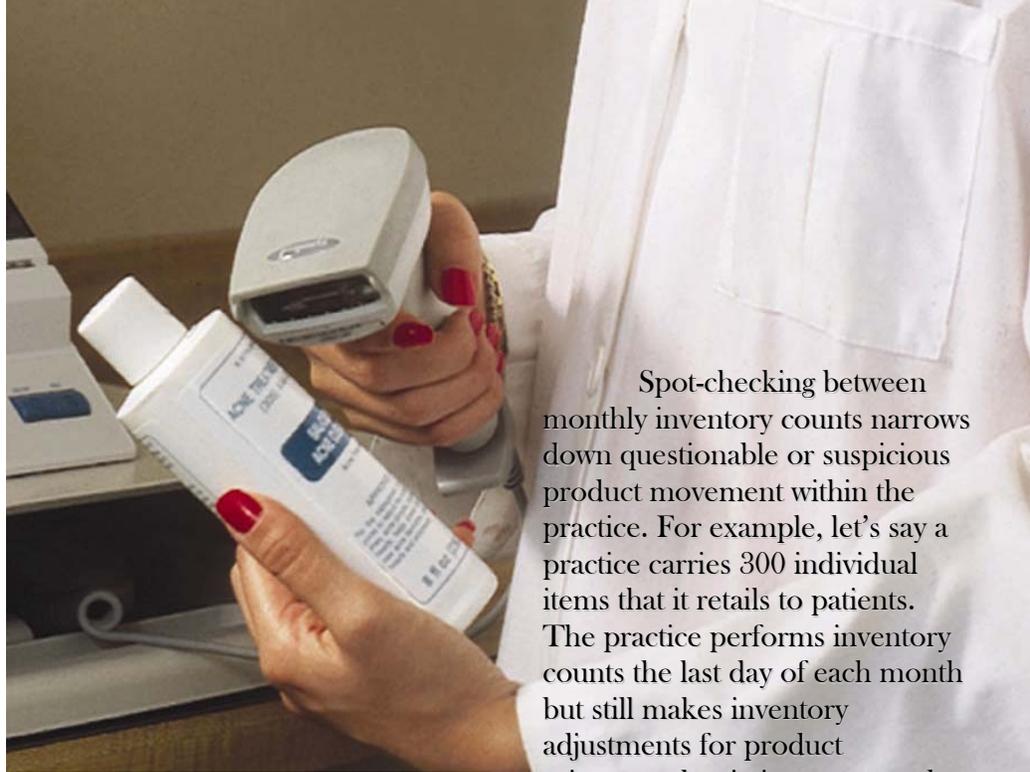
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Petr Klima is a practice consultant specializing in medical retailing for MicroPharmacy®

merchandise products need to understand the basic principles of inventory.” He adds, “For starters, when unloading a delivery, take care to place the new items at the back of the shelf.”

Often products are erroneously placed in front of older products. The units at the rear of the shelf are never sold. “If you are lucky, your vendor may exchange expired product for fresh product. If this is not an



Spot-checking between monthly inventory counts narrows down questionable or suspicious product movement within the practice. For example, let’s say a practice carries 300 individual items that it retails to patients. The practice performs inventory counts the last day of each month but still makes inventory adjustments for product miscounted, missing, or moved.

With such an effort placed on counting inventory on a monthly basis, why would this happen? Mr. Klima suggests such discrepancies can be reduced by identifying and eliminating “trouble” products. He explains, “The inventory report tells me that some products are being adjusted. I look for ‘repeat offenders,’ i.e. the same products that are adjusted every month. In addition, I take into consideration products that have a high value per item.”

“When choosing products to spot-check, select 5-10% of the total inventory. Include repeat offenders and items of high value mixed with randomly selected products,” he offers.

“Implementing a weekly spot check narrows the time frame for mistakes or the unthinkable, theft. *It sends the message that inventory is being monitored and any bad habits will be corrected.*”

Spot checks have proven beneficial for Ms. Turner. “The staff is now aware that someone is double-checking their work,” she reports.

option, you typically see these items on sale,” Mr. Klima notes. “This can be avoided by properly re-stocking shelves, rotating products, and merchandising. Not only will the inventory stay fresh, but also shelves stay dust-free and organized.”

Training the staff on retail principles has worked well for Dermatology Clinic in Baton Rouge, LA. “We work with everyone who has their hands on the products. Inventory control is more than counting. Our staff are held accountable for inventory including any missing products,” explains office manager Trudy Turner.

### CONTROL BY COUNTING

Medical practices that do not regularly count or take inventory may very likely have an unpleasant surprise come year-

end. One practice manager admitted to Mr. Klima that counting was the easy part. “It was the lag time that followed,” he points out. “She and the staff counted at slow times during the Holidays. Then they spent the last business days of the year chasing down vendor contacts, asking for price lists, and waiting for a response. Meanwhile, inventory levels had changed multiple times during that period.”

“To avoid this headache, you need to gather all vendor pricing first and count secondly. We implemented a monthly count at this practice, making the year-end task less daunting. But more importantly, the practice manager and key staff are now trained to watch for price increases, inventory discrepancies, or unauthorized adjustments,” he summarizes.

*Spot-checking between monthly inventory counts narrows down the questionable or suspicious product movement within the practice.*



### About the Contributor

Petr Klima has a B.A. in International Marketing, and an M.B.A. in Business Management. He is the senior practice consultant for MicroPharmacy Corporation.

With over 12 years of experience on 3 continents, Mr. Klima has developed retail spaces for salons, spas, high-end stores, and medical offices. He manages the Medical Retailing team with primary focus on dermatology, plastic surgery, and cosmetic surgery practices.

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### PRODUCT IN. PRODUCT OUT.

For reliable record keeping, it is necessary to implement a computer-based inventory system. "The system software should allow for seamless transactions performed by the front office staff. Each transaction should simultaneously record the sale in patient history while deducting the items from inventory," suggests Mr. Klima.

"It should include product profiles that capture wholesale versus retail pricing, current inventory amounts, reorder or tolerance levels, plus incoming goods. There should be levels of privacy and password access by various staff members," he states. Adding a bar code scanner can

improve the accuracy and speed of receiving inventory or checking out patients.

"Every practice should have a step-by-step manual of how inventory needs to be performed with checks and balances in place," recommends Ms. Turner.

Remember, the inventory system is only as accurate as the information entered. Practitioners must continually review inventory procedures with staff. Implementing retail principles could mean the difference between a thriving practice and having to close the door.

Dr. Roche agrees, "Inventory controls are critical for managing a profitable retail sector of your practice." 

## Is your inventory out of control?

### Take Petr Klima's Inventory Assessment

1. Can you name all of the product lines you carry?
2. Who performs inventory counts and how often?
3. Are you missing products? If so, where did they go?
4. What computerized system handles inventory?
5. Do you get the feeling you are ordering too much or too little of a particular item?

If you are unable to answer one or more of these questions, it is time to take control of your inventory.