DATARITHM™
INVENTORY CONTROLLED

Tip Sheet

October 2022

Master the Art of Inventory Management

5 Tricks of the Trade for Pharmacy Owners

Inventory management is one of the most important elements of running a pharmacy. By keeping track of in-stock inventory, pharmacists ensure they always have what their patients need, when they need it.

An automated solution offers the most precise way for pharmacies to maintain accurate inventory. This is because it tracks your pharmacy's inventory continuously and in real-time. Otherwise, pharmacies rely on potentially inaccurate information which can lead to stock-outs, over-stocking, and elevated expired returns. Pharmacy automation software will assure:

- Monthly re-order point optimization is always in lockstep with changing demand and the preferences of management/owners.

- Optimized re-order points coupled with automatic return and transfer recommendations reduce overstock and dead inventory, lowering overall drug spend.

- Reduced ordering time gives you more time to care for patients.

- Improved fill-rates and inventory turns.

As an ally and advocate to independent pharmacies since 2005, Datarithm® has helped pharmacy owners master the art of inventory management. Here are four best practices that you can apply:

1. Match Order Quantity to Usage Volume

- For high volume items, use large packs (i.e., 500 or 1,000 count)

- For low volume items, use smaller pack sizes (i.e., 30 or 60 count)

- Datarithm® offers an Optimal Order Quantity report to help our clients determine what will be most efficient to their pharmacy.

2. Buy in Bulk

- Make sure your discount is at least 2% per month

- Carry costs are recognized in the industry to range anywhere from 17% to 27% annually. For ease of calculation, we suggest 2% per month (24%/yr) because it falls in the middle of the carry cost ranges that are published.

- For example: If you are entertaining a bulk buy representing a 6-month supply, the purchase discount should equate to 12% below your net normal pricing to offset expected carry costs on this bulk purchase.

3. Adopt the Perpetual Method

- The Perpetual Method is the best and most accurate way to maintain accurate inventory. That is because it tracks your pharmacy's inventory continuously and in real-time.

- This approach, compared to the Visual or Periodic methods, improves the accuracy of your on-hand quantities, ensuring that monthly re-order point optimization remains in lockstep with changing demand.

- Other benefits to going Perpetual include:

    - Financial metrics are readily available making for smarter decision-making.

    - Shrink is easier to spot when the PMS and shelf disagree.

    - Reduced ordering time leaves more time for pharmacy technicians to spend consulting with patients.

4. Layer on Automation

- With on-hand positions now accurate, changes in demand, costs, and management goals can be established and maintained through automation technology, ensuring that drugs are identified for re-order once the stock level reaches or falls below a calculated replenishment point.

- Optimized re-order points coupled with automatic return and transfer recommendations reduce overstock and dead inventory.

- With automation technology in play, pharmacies can maintain an accurate picture of stock levels, replenishment schedules, and turn rates, with quantities updating dynamically, and in real-time.

5. Replenish using Electronic Data Interchange (EDI)

- You can place orders and receive invoices automatically through EDI with your wholesaler to keep on-hands accurate and while saving substantial staff time.

- Purchase Orders are sent automatically from the pharmacy system to selected wholesalers.

- Wholesaler invoices are electronically sent back to the pharmacy and, following confirmation by pharmacy staff, on-hands can be adjusted automatically.

About Datarithm

Datarithm was founded in 2005 by a pharmacist, a software engineer, and a medical sales professional who joined forces to fill a gap in the independent pharmacy space. We share the belief that pharmacies are the first line of healthcare within our communities. As your ally, we pair the power of our inventory management platform with hands-on training, daily insights, and personalized guidance. You'll get information you can act on as soon as tomorrow and financial results you can see in less than two weeks.

With an intuitive dashboard, automated forecasting, inventory balancing, cycle counting, and advanced analytics, it's never been easier to increase your pharmacy's cash flow while putting time back in your staff's day. Efficiently manage turns and fill rates and keep your business operating above the wellness line. Visit www.datarithm. co to schedule a no-obligation demo or call 877.273.5112 and start securing the future of your pharmacy today.

Don't take our word for it... take theirs:

"Within ten minutes of going live, I pulled $10,000 worth of dead stock that I didn't know I had on my shelves. Over a 3 month period of time, I managed to reduce my inventory $100,000 and be able to keep it down since then."

Steve Spruill
Owner of Maddox Drugs in Toccoa, GA

"Reception to customer feedback and willingness to consistently and constantly improve their software will keep Datarithm® thriving and vibrant for years to come. The 20-25% reduction in inventory overhead and ease of inventory management simply become the icing on the cake."

Kyle Yoder
PharmD, Pharmacist Manager of Moose Salisbury Pharmacy of Salisbury, NC

"In the first 3 to 4 weeks with Datarithm®, we did about $100K worth of returns. Datarithm® has, from a pharmacy that we felt was well stocked with very few 'we owes', decreased our overall inventory by $320K and did not greatly increase our 'we owes.' The product works by decreasing your inventory levels while not inconveniencing your patients."

William Cooper
Pharmacy Manager at PRMC Home Scripts

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877.273.5112