

PHARMALLIANCE 2018 ANNUAL STRATEGY RETREAT

“WINNING IN 2019: PRODUCTS, PEOPLE & PROCESSES”

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Inventory value chain, management & control

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Community Pharmacy sustaining and survival strategies

On Inventory, the Question is...



- How do we ensure optimal stock levels(no under or overstocking)?
- How do we avoid tieing down money on unsold inventory?
- How do we minimize losses due to expired products?
- How do we ensure stocks get to our shelves in a timely manner?

What are you stocking?

Very likely that 20% of the current SKUs that you stock contributes 80% of your total revenue

# of SKUs	% TOTAL SKU	% CONTR TO SALES REVENUE
2203	20%	80%
2822	25%	85%
3734	34%	90%
5259	47%	95%
11079	100%	100%

5820 items (53% of total SKUs) contributing only 5% to total revenue

We always want our store to be full...



Key Lessons...

- Stock mostly the SKUs that contribute to your sales
- Set up a reorder for these SKUs
- **What are your top 500-1000 selling items?**
- Clean up your inventory data base, sell off and delete very slow moving items
- Every 6 months, check for items with zero sales and manage them out thru promo or price reduction
- Set up a new product committee to admit new products into your data base
- Be careful of products on SOR
- Know your average Inventory Turnover Ratio

Key Lessons...



Inventory Turnover Ratio:

COST OF GOODS SOLD/AVERAGE INVENTORY

<https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/business-assessments/pages/inventory-turnover-benchmarking-tool.aspx?status=submit>

INVENTORY VALUE CHAIN

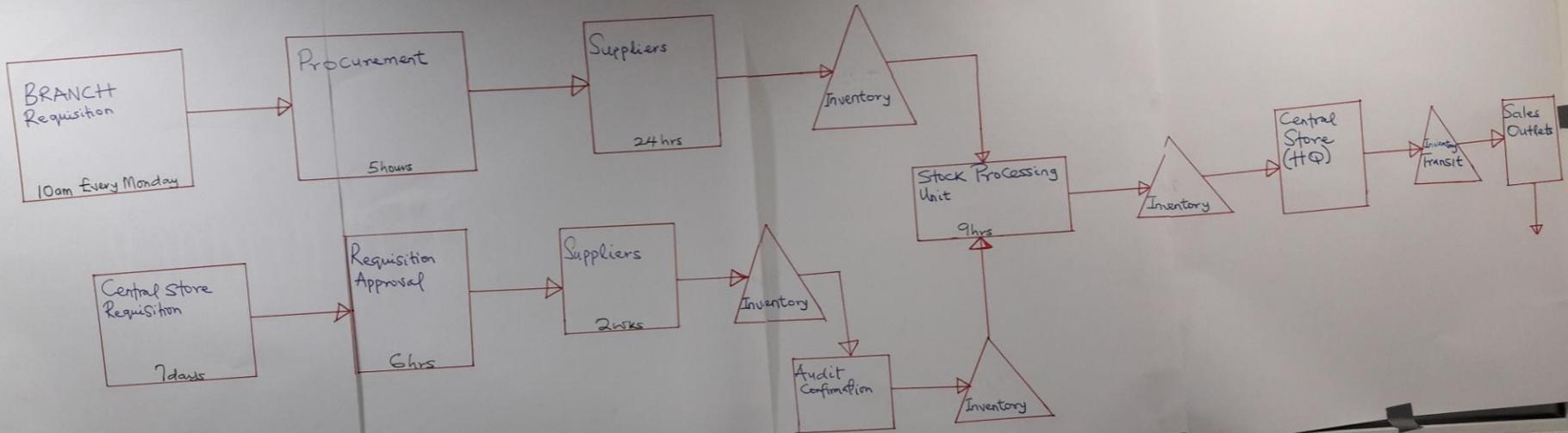
Where are the bottlenecks...

Your desire to get stocks quickly to your shelves will be determined by these inventory value chain members:

- ❖ Pharmacist(generate or vet orders)
- ❖ Procurement or purchasing officer(s)
- ❖ Wholesalers or distributors
- ❖ Payments (banks, credit terms)
- ❖ Inventory team (stock & data inputers)
- ❖ Logistics & transport
- ❖ Shelving team

INVENTORY VALUE CHAIN

Where are the bottlenecks...



INVENTORY VALUE CHAIN

Where are the bottlenecks...

□ OPTIMIZE YOUR VALUE CHAIN

▣ Inventory suppliers

- Consolidate and negotiate better prices
- Extend credit days
- Goods return policy
- Automate supplies?????? (NP & NHP model)

▣ Inventory Team (stock inputters)

- Appropriate technology
- Training of personnel

INVENTORY MANAGEMENT & CONTROLS

- Tighten your inventory SKUs
- Stock mostly fast selling items
- Separate these functions- Procurement, Store, Inventory team, Payments(Accounts)
- Avoid tying down capital in unsold stock
- Reduce rate of expired products (expiry product committee)
- Stock audit as frequent as you can (maximum every 6 months)
- Appropriate software to manage your inventory.

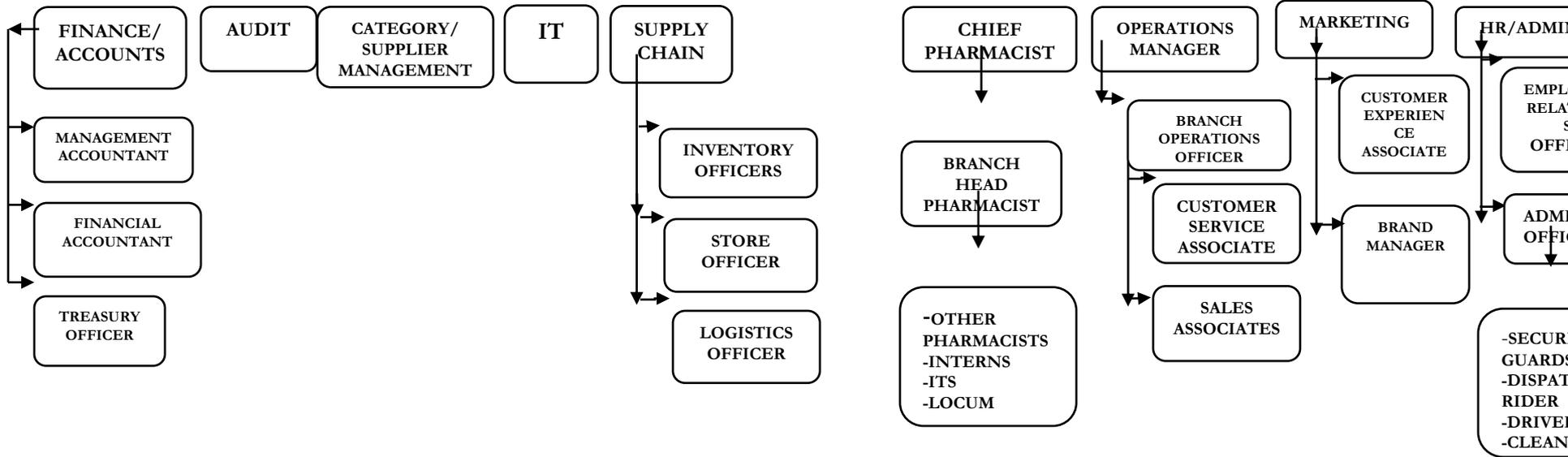
INVENTORY ISSUES

- Products Barcoding (NAFDAC)
- Data base of registered products with unique product codes or bar codes
- Uniform unit of sales (tabs, sachets, doses, mls, etc)

ACPN need to champion the resolution of these issues

(PCN, PSN & NAFDAC currently doing something in this area as per NDDP)

PEOPLE AND PROCESSES



PEOPLE AND PROCESSES

Basic Structure for Retail:

- ✓ Pharmacist
- ✓ Finance/ Audit
- ✓ HR/ Admin
- ✓ Operations-Sales, Procurement & Inventory team

PEOPLE AND PROCESSES

KPIs for Pharmacist:

- ✓ Achieve sales target
- ✓ 0% error in interpretation and filling of prescriptions
- ✓ Minimum 2 CSR projects per qtr
- ✓ Max ---% out of stock for top 500 selling items
- ✓ At least 5 hours of continuous training per month
- ✓ Not more than N---- worth of expired/damaged products per month
- ✓ Increase customer base by x% in 6 months

PEOPLE AND PROCESSES

KPIs for Procurement Team:

- ✓ Max ---% out of stock for top 500 selling items
- ✓ Zero tolerance for fake, adulterated or unwholesome drugs
- ✓ Minimum 30 days credit from major suppliers
- ✓ Timely payments to suppliers for due invoices
- ✓ Reduce cost of purchases by x%
- ✓ Stores/branches must receive stocks latest ---**day** every week
- ✓ Not more than N---- worth of expired/damaged products per month

PEOPLE AND PROCESSES

Current Employee Behavioural trends:

- ❑ 20% fully engaged
- ❑ 60% neither engaged nor disengaged
- ❑ 20% disengaged

**We need to understand the Millennials

As we prepare for 2019...



**HOW DO WE SUSTAIN & GROW
OUR COMMUNITY PHARMACY
PRACTICE IN THESE HARD
TIMES**

SUSTAINING & SURVIVAL STRATEGIES

What to do internally within your Pharmacy Practice

- OPTIMIZE YOUR VALUE CHAIN
 - ▣ Inventory suppliers
 - Consolidate and negotiate better prices
 - Extend credit days
 - Goods return policy
 - ▣ Landlords
 - Renegotiate rents
 - Monthly or Quarterly payments Vs yearly payments

SUSTAINING & SURVIVAL STRATEGIES

▣ Banks

- Change your account type to type with fixed monthly charges
- Watch other charges on your account
- Renegotiate interest rates

▣ High Cost Equipment Suppliers

- Lease
- Do bank financing

In period like this, CASH IS KING.

You can unlock plenty cash from you value chain to help fund your working capital

SUSTAINING & SURVIVAL STRATEGIES

□ ADMIN COSTS

- Staff costs (get staff to multi task)
- Computerize your operations and eliminate paper costs
- Cut down and eliminate unnecessary expenses in your operations
- Get into habit of doing budgets for every expense.

□ CUSTOMER LOYALTY & ENGAGEMENT PROGRAMS

- What are you doing for your customers to get them engaged with you and remain loyal? Remember that your competitor is only 200m away
- Do you have loyalty programs?
- Do you provide some free services?
- Do you provide an outstanding service?

SUSTAINING & SURVIVAL STRATEGIES

- **IMPROVE YOUR BUSINESS KNOWLEDGE**
 - Wear the cap of a shrewd business man
 - Attend courses that sharpens your business skills-finance, inventory management, customer service, HR, etc

- **HEDGE AGAINST INFLATION**
 - Invest idle cash in Treasury bills

SUSTAINING & SURVIVAL STRATEGIES

□ DIFFERENTIATE YOUR SERVICE

- What are you known for?
- Why will a customer come to you instead of another pharmacy outlet?
- Differentiate by product range, customer service , store ambience, etc

GROWTH STRATEGIES

SIZE OF MARKET OPPORTUNITY

Nigerian Drug Total Market Size of \$2,464,275,080 in 2016.
Additional \$250m is spent on drugs during medical tourism abroad

\$0.74b due to drug manufacturing companies and \$1.72b to drug distribution (retail outlets, importers, community/hospital pharmacies).
70% of our medicines are imported

Average YOY 11% market growth driven mainly by increasing population (180m) and increasing incidence of chronic diseases

Only 2980 duly licensed pharmacy outlets in Nigeria Vs WHO recommendation of 90,000 for a population of 180m. Vacuum is filled by PPMVLs & quacks. Huge opportunities for Retail Pharmacy

GROWTH STRATEGIES

- ▣ The revised NHIS is currently undergoing reading in parliament
- ▣ Current enrolment in NHIS very poor.
- ▣ If properly implemented, this will be the next big thing in the health sector
- ▣ Retail Pharmacies should be prepared to play active roles in the scheme.
- ▣ Implications of Universal Health Coverage
 - ▣ Increased opportunities in the healthcare market
 - ▣ Expansion of healthcare services
 - ▣ Increased investments by financial institutions

GROWTH STRATEGIES

There are opportunities in the following sectors

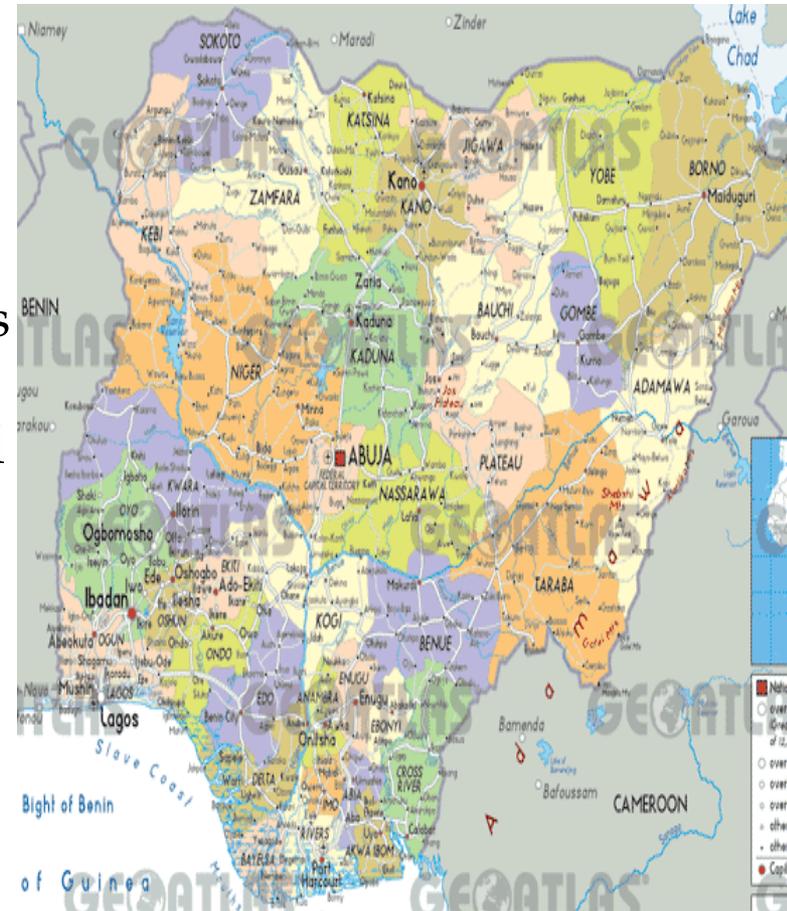
- ❑ Health Insurance
- ❑ Hospitals
- ❑ Medical Equipment and Supplies
- ❑ Diagnostic Centers
- ❑ Pharmaceuticals
 - ❑ Manufacturing/Importation
 - ❑ Mega Distribution
 - ❑ Wholesaling
 - ❑ Retailing

GROWTH STRATEGIES

□ BRANCH OUT

- Consider opening branches outside Lagos or Major Cities
- Paucity of registered Pharmacies nationwide. Only 190 LGAs (24.5%) have at least 1 registered pharmacy; while 584 (75.5%) do not have any registered pharmacy.
- Opportunities exist outside of Lagos/major cities

□ CONSIDER OPPORTUNITIES IN OTHER SECTORS OF THE HEALTH MARKET



SURVIVING & THRIVING DURING THESE HARD TIMES

Dont's

Do not be passive:

- Avoid denial and communicate challenges to staff
- Create awareness and consequences of inaction

Don't over analyse:

- Avoid analysis-paralysis

Avoid knee-jerk reactions:

- Do not take actions that can harm your future e.g stop training/research
- Avoid panic among staff that can lead to fraudulent actions- create awareness and hope



Thank You