



MARKETING / OFFICE / STAFF

## Effective Inventory Management

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I recently visited a new naturopathic doctor who had been in practice for about two years. While the office was generally well organized, she didn't find she had the space to organize her supplements. So she kept them tossed in a basket in the closet. In addition to the time she spent rummaging through at each visit to find the products she was looking to prescribe, she discussed with me that she frequently didn't have what she needed on hand and that frustrated both her and her patients. Clearly, she needed a better inventory management system.

According to *Nutrition Business Journal*, 69% of chiropractors recommend supplements to their patients. If you have chosen to use supplements in your practice, you probably see the benefit that the service offers to your patients, as well as to your bottom line. But, carrying a supplement dispensary can be time consuming, expensive and hard to manage. The good thing is, it doesn't have to be! There are several inventory management systems which vary in price and complexity, that can streamline your practice by saving you time and money, while improving your overall patient experience.

What is Inventory Management?

Inventory management is a system of keeping track of what you sell, what you have on hand and what you need to order. In its best form, inventory management allows you to take an accurate snapshot of the material asset of your dispensary, monitor for loss/theft, and most importantly, save you or your office staff the most precious commodity, time.



There are several inventory management systems out there and they vary in cost and complexity. As you can imagine, a big box store would require and utilize a fancy bar code scanner, an elegant means to deplete inventory from your records at patient checkout, but you may be surprised that even some of the most successful, multi-billion dollar companies use very simple systems.

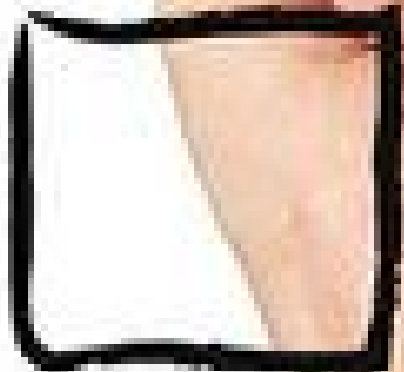
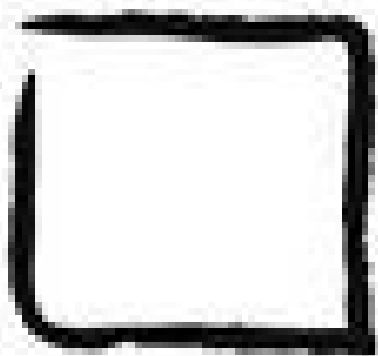
One great example of this is Toyota. Toyota's manufacturing facility, as I'm sure you can imagine, is full of parts: bolts, screws, panels, windshields, etc. All of these items need to be tracked and the last thing you would want is the production line being held up because you ran out of an essential sprocket. But Toyota uses one of the most simple inventory management systems, the system I started out with in my practice: The Kanban system.

### The Kanban System

This system is easy. It involves keeping a small card for each unique product, or sku, you carry in your dispensary, including different sizes of the same product. On this card is written the product name, where you order it from, as well as the item number for ease of ordering, the number of bottles you want to have in stock at any given time and the point at which you should order more. These last two numbers are based on how quickly you move through a product. For example, fish oils, which are widely recommended, may sell an average of 20 units per week. For this reason, you may choose to order to get your stock to 25, but reorder when you reach 8 bottles to ensure you never run out. In addition to the quantity you sell of a product, other considerations include how often you want to order, as well as the transit time of the product to your office (if you order today, will the product show up tomorrow or next week? And how many bottles will you sell in that time?) You may also choose to include the retail price and your cost on this card.

When you hit the order point, remove the card from the shelf and place it in an "order" bucket (my first was a mason jar at the checkout counter). When you're ready to order, dump out the cards and you know exactly what and how many you need to order. When products arrive, the cards can be

filed back at their appropriate place on the dispensary shelf.



These cards can be maintained in clear pockets on the edge of the shelving, or if you don't like that look, you can wrap them around the bottle at which you want to order again and hold them there with a rubber band, making it very clear that is the reorder point.

If you choose this system, it is recommended that you use pencil to write the stock and reorder numbers, as these can change frequently as you use more or less of an item and can save you time in needing to make new cards.

This system does a great job of managing your dispensary and ensuring you don't run out of product. It does not, however, allow you to get a snapshot of the cash value of what is on your shelves. If that is a priority for you, then a computerized system may be more desirable.

There are numerous software packages available to handle inventory. Even the basic Quickbooks software allows you to monitor and report on inventory. Many practice management suites also offer inventory management as part of the package. With these programs, products are built in individually, analogous to the cards described below, and inventory is added either manually or by creating purchase orders (POs) in the system. Reporting is usually very simple and you can report only what needs to be reordered at any given time. These systems, while typically more expensive, usually save time for staff because there is no additional work to manage the inventory. When a patient is checked out, the changes to your inventory are recorded. And when you order product through a PO, it is easy to "receive the product" when it arrives and that product order will be added to your inventory with the click of a button to record the package's arrival.

If the thought of managing a dispensary sends you screaming, another option with growing popularity is an online dispensary. In this case, you do not have any up-front investment to purchase product, you have no loss of cash flow with those bottles on the shelves and you don't have to even think about cards or POs. In this case, you can build an online page with your favorite products which your patients can access through a link on your web page, and when they select the products, they checkout with a third party and the order is shipped directly to them. These online dispensaries can still add value to your bottom line, as most companies offer a commission to the doctor ranging from 5% to 30% on all of the product sales, paid out on a monthly basis. Some of these innovative tools also allow you to email patients treatment plans with more detailed instructions, send automatic refill reminders and monitor who has taken action to order or refill the products you've recommended and follow up via email if they have not to see why they haven't complied.

Even if you only recommend multivitamins and fish oil to patients, that additional \$20 to \$50 per patient per month can be a significant enhancement to your practice. Additionally, patients look to their chiropractor to be the source of information on how to stay well and offering recommendations for a quality product can enhance your relationship. Don't let the hurdle of managing your inventory prevent you from taking that leap. And please, please, don't leave your supplements in a basket in the closet.