Inventory Management for the Future

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1. Introduction
The business of equine practice is under pressure to change and accommodate a new generation of clients. Our clients have access to information instantaneously, the ability to purchase horse pharmaceuticals from a vast number of suppliers, and access to numerous paraprofessionals performing many services previously performed only by veterinarians. How a practice or a practitioner approaches this new business environment may determine profit, quality of life, or however one defines success.

Increased competition among practitioners, the high price of technological advances, and options for pharmaceutical supplies are encountered by equine veterinarians on an almost daily basis. Unique selling positions can be emphasized to differentiate one practice from others. As professionals trained in veterinary medicine and surgery, we can easily accentuate our best medical and surgical services. Alternatively, a practice may choose to find additional sources of profit. One such area to consider is the use of inventory and pharmaceutical sales. Making larger sales volumes of inventory items can help the bottom line and encourage increased client contact opportunities. This article will look at two different strategies on the use of inventory.

Service-Centered Practice
Educating horse owners on the value of our services and charging appropriately for our knowledge, training, and care is something on-line pharmacies and magazines cannot do. Our challenge is to identify what the services are that differentiate us from others.

Step 1 is to survey the clientele. Formal written surveys can be conducted through on-line services such as surveymonkey.com. Alternatively, informal conversations with clients can produce the data necessary to determine which services clients are more interested in receiving from you. The next step is to honestly consider which of the services your clients have expressed interest in are ones that you enjoy performing. Step 3 is to determine if you can perform these services in a manner that differentiates you from others in the area. You should be able to convince anyone that you have a special talent or a unique way of performing the service that your local colleagues do not have.

A short list of services can now be evaluated. In group practices, there may be overlap of providing service as well as specialization among the practitioners. Now your list of differentiating services has been completed and agreed on by the physicians of the practice. Education of staff members will
help to present proper information to current and prospective clients as you venture out with your unique selling position. The staff should be educated on how to answer questions from clients and also be given appropriate facts to use to help inform horse owners about your special services. Their education will help promote your professional skill.

At this point, education of horse owners (otherwise known as marketing) can be undertaken. Handout sheets, videos, white papers, and presentations should be constructed to reach as many horse owners as possible. Writing articles in horse magazines and giving talks to horse groups will help to educate the public on your expertise. Once a short list has been constructed, education of staff members and clients is to be performed.

The practice will prosper by eliminating inventory and supplies for services that are rarely, if ever, performed by the practitioners. Minimal amounts of inventory necessary to perform your emphasized services should be maintained, as well as appropriate needs for immediate care. Stocking larger amounts of many items that are rarely used can be replaced with an on-line pharmacy or with prescriptions.

By decreasing our dependence on drug and pharmaceutical sales, we will realize greater profit and also reduce tying up our cash. One way to look at the scenario is to imagine that you have replaced your entire inventory with dollar bills. How many dollar bills would you leave on your shelves or in your truck? Trying to compete with supply houses on price just leads your clients to shop prices on services. You may inadvertently begin to teach them to commoditize veterinary practice.

Opportunities in Inventory
Finding additional profit centers will help most practices. Practices may find great opportunity in pharmaceutical and inventory sales.

As the examining physician, we have the first opportunity to discuss and supply goods to our patients. Educating clients on which pharmaceuticals are most appropriate and offering quality items at reasonable prices will bond our clients. Horse owners are consumers looking for the best price and best value whenever possible. However, convenience is a driver as well. If we have the goods on hand, we can maximize our production by delivering the goods and the services at the same time.

Unlike our human counterparts, we have the ability to supply items to our patients for successful clinical outcomes. If we dismiss this area as too expensive, or too much of a burden on the cash flow of the practice, we are missing an opportunity for increased sales and therefore more profit.

Here is an example of how drug sales might fit into a practice strategy:

Wholesale price of product +15% increase for business profit +10% commission to provider +15% increase for shrinkage = minimum list price.

If a product does not fit this minimum pricing model, it is not carried by the provider and would be scripted or sold as a noncommission item for the provider.

Notice that this is not the traditional pricing model of doubling everything but a model to compensate the physician for the sale and compensating the business for the ownership. The business profit and the commission are a given, where the variable lies is controlling shrinkage. This can be done by establishing good inventory turns and limiting theft. Investing in a good software program and empowering a person on your team to track inventory will make this happen.

Horse owners expect us to practice quality veterinary medicine and surgery. We should charge fairly for our knowledge and skills, but we can also maximize our time by providing quality products as we work. Additionally, by offering items that we believe in, we ensure better clinical outcomes. The end result is a happier client with the best outcome possible.

As clients learn to expect their practitioner to supply them with goods and services, they may become less likely to search elsewhere for off-label and non–Food and Drug Administration–approved pharmaceuticals. In addition, as they learn to purchase more items through the veterinary practice, increased client contact opportunities will result.

2. Conclusion
Continuing to do things the same way and expect different results is the definition of insanity. Equine veterinary practice is under extreme pressure to find ways to increase profit and find success. Unique selling positions and opportunities in inventory sales are two ways to redefine your practice.

By educating your staff and your clients about the value your practice offers, your practice will succeed. Being the source of information on services and/or appropriate products will elevate the practitioner above any magazine or on-line store.