



WUTCHIETT TUMBLIN AND ASSOCIATES

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Better Management is Better MedicineSM

Tips to Cut the Weight of Excess Inventory in an Equine Practice – 2009

Do:

- Use turnover as the primary factor for determining the quantity, source, and necessity of all your inventory items. First eliminate items that you haven't ordered in the last year. Then calculate the turnover rate for the remaining items. Count the number of orders you made last year, assuming the amount you ordered was consistent. An inventory turnover of nine to 12 times per year or greater is excellent. A turnover of six to eight times per year is acceptable, providing you price accordingly using a higher markup.
- Create a list of the medications that are essential to practicing high-quality medicine. Use your inventory turnovers as a starting point for what to include on this list. Each doctor will have favorites, and give-and-take is essential. And rest easy – you can always make changes later.
- Monitor your markups. Target an average markup of 140 percent to 175 percent on most medications. Target a 100% markup on vaccines, antibiotics, bandaging supplies and dewormers.
- Include a \$9 to \$12 dispensing fee when pricing dispensed medications that you handle (not prepackaged items).
- Try new products, but don't add them to your inventory without eliminating a comparable older product.

Don't:

- Put an item in your inventory just because it's a good deal price-wise.
- Purchase increased quantities of an item if doing so will lower your turnover rate below six times per year.
- Let vendor price increases slip by. Make note of current costs and adjust your fees accordingly.
- Accept delayed-payment offers unless you're sure you'll sell or use the item by the time payment is due.

To obtain additional information:



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