

“I Hope I Break Even...I Could Use the Money”

A few years back when I was playing a Wheel of Fortune slot machine, the gentleman sitting next to me slid a large bill into the machine and then turned to me and said, “I hope I break even, I could use the money.” I didn’t know if I was supposed to laugh or wish him luck.

I got to thinking about how many times I have put myself or watched others put themselves in that same position while gambling with the revenue of a store. Hanging onto inventory for over two years hoping to get something out of it, or at least break even. Thinking that the xxx-small neck braces packaged in what are now yellow bags, or the crystal ashtray in the gift department, would eventually sell. Here are common gambles some community pharmacy owners take with inventory, advertising budgets, and revenue, and how you can avoid making the same poor bets.



Get Rid of Slow-Moving Product

Liquidating slow-moving product is best done quickly and with a proven system. First, reposition the item(s) and discount by 20 percent for two weeks; then increase the discount to 50 percent for two more weeks; after four weeks at a discount, if the item has not sold, get rid of it. Either donate it, take it home, or recycle it, but think twice before saving it for a sidewalk sale.

Prepare for Donation Requests

Don't get caught off-guard when you are asked to donate to a particular cause. Use this as a barometer for what to give when your store is asked to make a donation: for a great nonprofit, health-related request, write a check. For a local sports team or club-affiliated group, offer merchandise, a store gift card, or, at last resort, a check. For an unrecognizable contact that you have never seen in your store and the request is not for something well known, give them that Russ Berrie vintage 30th wedding anniversary photo frame that is celebrating 25 years of being in your gift section (okay, I'm guilty of doing that).

Map Out Your Advertising Strategy

Gambling with a spur-of-the-moment decision to run an ad is a break-even proposition at best. You know how it goes...someone representing the local newspaper with a clipboard and a smile is standing in front of the pharmacy bench, waiting to ask you what you want to do for an ad for the upcoming homecoming issue. You end up saying, “What did we do last year? Okay, let's just do that again.” Or, “Here, just print our business card.” Sigh. I'm guilty of doing this, too. You know this is going to happen a number of times every year, so take a minute when you have a minute and prepare a few good ads in advance for just this type of situation.

Keep Your Shelves Stocked

Perhaps you've heard of the “let's just keep one item on the shelf; we can always get another tomorrow” gamble. Why is this a gamble? Think of how poorly the shelves look with just one of each item. Consider

the cost of labor to put the same item out five times in one week, one day at a time. With this type of inventory management, you won't come close to breaking even. Keep your shelves adequately stocked.

Run Sales for Only 10 Days

Finally, there is the equivalent of hitting the maximum bet button by using the same in-store sales circular for a month. What happens when you don't end sales in a timely manner? You end up selling best-selling OTC items, sometimes high-demand seasonal cold remedies, at a deep discount for the entire month. In addition, there is no sense of urgency for your customers and nothing to get excited about when a sale runs the same lunar phase of a full moon. Try running your sales for 10 days; start on a Wednesday and end on the second Saturday from the starting date. If you are closed on Sundays, that schedule works out to 10 days.

By following these inventory, advertising, and revenue tips, you won't need luck on your side to find success and profits in your pharmacy.

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NCPA's Front-End Overhaul*