

Profitability Through Inventory Automation

A CUBEX CASE STUDY PERFORMED BY FRITZ WOOD



Fritz Wood has an animal health consulting practice in Kansas City, where his clients include veterinarians and animal health companies. He's focused exclusively on the veterinary profession for nearly 30 years, conducting important research on veterinary productivity and attributes of high-performing practices. He was actively licensed as a Certified Public Accountant and Certified Financial Planner for decades. His pre-vet experience included 9 years as a management consultant for a top global consultancy.

Profitability Through Inventory Automation

Practice owners and managers know that their second largest expense is inventory. Labor is number one, then Cost of Goods Sold is next. Anecdotal evidence suggests inventory management is lacking, that inventory is not generally professionally monitored and managed. Abundant opportunities for bottom line improvement exist.

Inventory management goals include:

- Protecting your employees
- Physically safeguarding your inventory
- Ensuring appropriate on-hand quantities (not too much, nor too little)
- Accurately invoicing clients for purchases/usage, and
- Timely and compliant completion of essential recordkeeping

Logic, reason and now evidence argue for automating inventory at some level to accomplish these goals.

The Evidence

WellHaven Pet Health has 42 industry leading practices in the United States.

This case study examines data from five WellHaven practices averaging \$1M to \$2M in revenue, for the six-month period ending February 29, 2020.

Practice areas automated include:

1. Pharmacy
2. Treatment (including Controlled Substances)
3. Supply Room

Less On-Hand Inventory and Enhanced Cash Flow

For the five practices, **on-hand inventory decreased by \$13,438 – or 8.1%**, from \$165,538 down to \$152,100 – for the 60-days ending February 2020. Cash flow increased by the same \$13,438 over the same 60-day period. Depleting excess inventory is a cash flow bonanza.



CUBEX SupplyBank and MiniPlus

5 PRACTICE INVENTORY REDUCTION



When targeted minimum inventory levels are reached over time, **on-hand inventory will have declined by more than \$60,000, or 36%**. Imagine your inventory shrinking by over one-third and having found an extra \$60,000!

When on-hand inventory is reduced, significant improvement is created in two Key Performance Indicators (KPIs):

1. Decrease in number of days inventory on-hand, and
2. Increase in inventory turnover rate

Reduction In Cost Of Goods Sold (COGS) and Higher Profits

For the five practices, revenue and COGS for the 6 months after Cubex installation (September 2019 through February 2020) were compared to the same period before the Cubex installation. COGS declined and profit improved by 3.6%. COGS declined from 27.1% to 23.5%.

Over the 6 months, the 3.6% COGS decline and profit improvement totaled \$95,206.

Workplace Safety, Efficiency and Regulatory Compliance

We can't always measure or quantify everything that matters.

For example, an extraordinarily positive (but nonquantifiable) byproduct of Cubex solutions is increased workplace safety. Bio-metric fingerprint ID and automated, electronic logging make narcotics more secure and less accessible. Automated logging keeps detailed reports of who dispensed medication and in what quantity, reducing the amount of manual labor needed for tracking DEA logs, inventory logs, and ordering.

Does it cost, or does it pay?

Automation isn't free, but it should produce a handsome return. The evidence in this five-practice case study is abundantly clear – the benefits of automated inventory far outweigh the costs:



6-MONTH TOTAL SAVINGS	
Reduction in on-hand inventory	\$ 13,438
Reduction in COGS	\$ 95,206
Total Benefit:	\$108,644
Cubex monthly subscription	\$ (16,591)*
Net Benefit:	\$ 92,053

*\$1,105 average cost per month per hospital

It's self-evident that a rational person would be wildly eager to spend \$1 to produce revenue of \$6.55.