The Veterinary Pharmacy

A SHIFTING PARADIGM
The days of veterinary practices being the only option where pet owners can purchase products are over. Starting with catalogs decade ago, and now with the Internet and even apps, clients have many options when it comes to purchasing for their pets.

Today, most people start first on the Internet to learn about products and services. Many articles and conferences discuss ways to fight internet pharmacies. And while some fight may be in order, the reality is that the best solution for your practice lies in creating your own online purchasing solution for your clients.

Looking at the challenges of today and some that are sure to continue to affect your practice for years to come, the shift that needs to take place is this. Your pharmacy will go from one to two.

Many practices have already taken the plunge and created their own two-pharmacy strategy. Problem is, these pharmacies won’t promote or manage themselves. Any change, especially one where the team is expected to change the buying patterns of pet owners. So just adding the online pharmacy isn’t enough. And creating an online pharmacy to fight competition likely won’t put anyone in the necessary mindset to rollout a successful online solution for your clients. Instead think of your online pharmacy as an extension to your in-house pharmacy to meet clients buying needs. That mindset is proactive, rather than reactive.

The list below provides five critical considerations and management directives from which to work when your practice adds an online pharmacy option for your clients. The key is to address all five for EACH of your pharmacies because each may have slight or vast differences. The reality is that the strategies that work for your in-house pharmacy, may not work for your online pharmacy, and vice-versa. Consider these:

- Choosing an Online Pharmacy Platform
- Setting up your Online Pharmacy
- Promoting your Online Pharmacy
- Managing your Online Pharmacy
- Measuring your Online Pharmacy
Before you can choose a platform to utilize for your online pharmacy, you’ll need to decide what your goals are in relation to having one. Is it to meet the purchasing wants/needs of your clients? To provide unrestricted access to many products and product lines? To maintain pharmacy revenue stream that may otherwise be lost? Or is there a different reason? A combination of reasons?

Write in your primary one or two reasons for bringing an online pharmacy to your practice:

__________________________________________________________________________  ______________________________________________________________________

Having a clear understanding of the goal(s) for having an online pharmacy will help you stay in tune with the features that are most important to you as you research platform options. Some features to consider include:

- **Personalization** – be sure the site will look like it’s yours, a branded extension of your website.
- **Security / Merchant options** – compare how the financial transaction will take place. When an outside company handles the transaction, you’ve transferred the known risks associated with eCommerce.
- **The purchasing experience** – walk through a purchase as if you’re a client. Look for easy-to-understand, intuitive steps. Consider available options to even set up accounts for your clients, taking it out of their hands, removing any burden of time/technology.
- **Auto-refill and Reminder Options** – There will be a segment of your clients who will want to set up for auto-delivery on a repeating time schedule. There will be others who want single dose options. And the reason those are important to you is because they’re compliance drivers.
- **Product Offerings** - be sure there is a robust product offering available from which you can choose. In the “Setting Up Your Online Pharmacy” section, there are tips for choosing which products to sell in your online pharmacy.
- **Marketing Materials** – Explore what client marketing materials are available and be sure your hospital branding can be represented there as well.
- **Reporting** – The fact is, you’ll need to measure your pharmacy, decide what reporting functions may help you measure the success of your online pharmacy and make sure those will be measurable with the platform you choose.
- **Accredited** – Be sure the online pharmacy platform is VetVIPPS certified. That is approved by the FDA and is another line of risk transfer to consider.
- **Phone app** – While the Internet is robust technology, mobile purchasing is on the rise. Check to see whether or not mobile technology is available.
- **Pricing control** – Have a complete understanding of your ability to set prices. The pricing strategy is key when bringing a passive revenue source to your practice.
- **Costs** – Compare costs based on what you receive for your money spent. Be willing to spend to get the features you need to reach your online pharmacy goals noted above.
- **Billing** – Look at how billing and bill-pay for use of the platform will take place.

*See the final pages of this tool for a VetSource information sheet.* (VetSource is Patterson Veterinary’s online pharmacy platform)
The setup of the pharmacy platform itself will be handled by the company behind the platform you choose. Most of that is done behind the scenes and you’ll have opportunities along the way to preview the look and feel as well as functionality. But there will come a time when other decisions will need to be made, two crucial decisions relate to choosing products and pricing products.

Choosing Products

- Some Products will MOVE from your inside pharmacy to your online pharmacy exclusively.

  First consider slow turning Items. Slow turning inventory crushes cash flow because you’ll typically have to pay for it before you sell it. Slow turning inventory also has a negative impact on profitability. First, the holding costs for products rise as the time they spend on the shelf increases and secondly, when they have to be paid for before they’re sold, that is affecting the profitability of the entire inventory system.

  Once you’ve graded your inventory products, look to immediately move D products from your inside pharmacy to your online pharmacy. Your C product list should be combed. Some you’ll want to keep inside, others will make sense to move if they aren’t needed for an immediate medical crisis.

- Some products will be sold in BOTH your inside pharmacy and online pharmacy.

  At some point, the typical pet owner who has regular responsibilities associated with pet care, will entertain automating some of those responsibilities. Life is hectic, and many answers are available to help. So product considerations relating to regular responsibilities will include long-term medications and preventives. Where you can help pet owners automate their responsibilities, you’re meeting their needs as well as driving compliance.

- Preventives

  As mentioned above, helping clients automate pet care responsibilities is a win for the client and patient. But another way to look at it is that, generally speaking, preventives need to be a very consolidated section of inventory that is stocked in your inside pharmacy due to the associated costs. With an online pharmacy you can expand your consolidation a bit and sell others online that you may not have considered stocking in your in-house pharmacy.

  Use caution not to bring a wide open preventive market. That can be dangerous if your team and doctors don’t possess the knowledge about every product. If you sell it to them, you need to know enough about it to minimize risk.

- Diets

  Diets are the one thing that every pet owner is spending money on, and they’re spending it regularly. More clients would consider home delivery of diets if they knew that was an option. Many people in veterinary practices wouldn’t don’t realize this is a missed opportunity.

The space alone that food takes in a veterinary hospital is significant. And space costs money. Would it make sense to sell the first bag at the time of a visit, then send the client an invitation to have it delivered after that? It may or may not, likely it depends on the client and the
circumstances. Many people argue that if they can get the client in the practice for anything, then they should. And most agree with that. However, if they stop buying the diet from you (or for any product for that matter) due to inconvenience, then the point is mute.

• Special Client Orders

Special orders for clients come in for many reasons:

• A referral practice started their pet on a drug or diet that you don’t stock
• A previous veterinarian started their pet on a drug or diet that you don’t stock
• Compounded drugs
• A product was ordered for a medical need and must be continued
• The list goes on...

Special orders are not only a management headache, they also typically cost the practice more to order than if it was a regularly ordered and stocked product. The reason is that bulk discounts won’t be available, shipping costs or minimum order fees may apply, and because the human costs associated with special ordering and tracking such items is higher than regular products. Special orders should be handled exclusively through your online pharmacy.

Pricing Products

Typically, the pricing for your online pharmacy will be lower than your in-house pharmacy. And that is a sticking point for many practice owners and managers. But, be sure you’re doing the math before you price your products. You’ve learned minimum profitability analysis pricing model in the PVU Inventory class. As a reminder, the minimum profitability analysis model for your inside pharmacy is best utilized for highly competitive products, long-term medications and high cost products. It can also be considered for your online pharmacy as well. As a reminder minimum profitability analysis looks like this:

Hard costs + soft costs + profit = Sales price

Product cost plus
Cost to pay DVM’s
on inventory
10-25% ------ or 0%

Holding and
Ordering costs
23-35%

Practice
Profit GOAL
_____%

At quick glance you may notice that one section of costs is irrelevant for an online pharmacy. Soft costs (ordering and holding costs) won’t be a factor.

The key to pricing your online pharmacy is to understand that it is mostly a PASSIVE revenue stream. Your facility costs and human costs aren’t a factor. So take that piece of the equation out. Now pricing would look like this:
With this pricing strategy, you can see, the practice still has the opportunity to be as profitable as they desire while still covering true costs associated with inventory sales.

When people talk about a looming loss of pharmacy for veterinary practices, they should understand that veterinary practices will likely always have pharmacies, now and into the future. But the model is shifting. How medications and products are sold is changing (one pharmacy is going to two) and pricing is changing due to more competition. Pay attention to these and other changes and make the necessary shifts within both your pharmacies before your dated strategies force clients to purchase elsewhere.

My Practice Profit Goal is: _________________________

My Pharmacy Profit Goal is: ________________________

It’s important to understand that over time, the pharmacy profit goal will likely match that of the overall practice. That is one of the shifting paradigms, margins will shrink. In the meantime, set your pricing profit factor based on what your market will bear, then pay attention to pricing resistance as your impetus to lower it over the years to come.
Once you have chosen an online pharmacy platform and set it up for the functionality you desire, you MUST have a plan to integrate it into your recommendations and marketing messages to your clients. “If you build it they will come” does not apply here. Just having an online pharmacy won’t equate to having a successful online pharmacy unless you and the entire practice team are promoting it with a unified approach and message.

Create and use a product sale mantra for your practice. One that will promote the sale of products while meeting client’s needs. Consider this one:

You can BUY HERE * You can BUY ONLINE * Or we can have it AUTOSHIPTED to you

This promotes all that you offer and gives the client the ability to choose. This message becomes a performance expectation that can be delivered over the phone, at the front desk, in the exam rooms, and on written and digital marketing materials. The reality is that we don’t know every client’s needs. But when options are offered, it will be quickly understood based on which they choose.

The online pharmacy platform you choose should also have marketing materials available for customization for your practice. Below are examples of some from VetSource:
The good news is that managing your online pharmacy will require very little time in comparison with your in-house pharmacy because there is product being touched by you or your team. That means no ordering of product, no receiving of product, no tracking backorders, no invoices or statements to track, no computer entry time, no counting what’s on your shelves, no shrinkage. These factors are a significant time savings which is certainly a factor of great interest to managers and practice owners.

What’s needed to manage your online pharmacy is simply to provide clear direction to your team, what to promote, how to promote it, when to promote it, when not to promote it, etc.

The critical strategy for an online pharmacy is actually measuring it. Like any undertaking in a veterinary practice, financial results must be reviewed. Financial results may be made up of a number of statistics including:

- Percent of total pharmacy sales sold online
- Number of total prescriptions filled
- Number of new prescriptions filled
- Number of refills (and fill beyond the first fill)
- Sales by Veterinarian
- Sales and profit by category (Preventives, Long-term Meds, Diets, OTC, etc.)
- Profitability of the online pharmacy

This list likely will grow as you learn more about your online pharmacy and how it is affecting client satisfaction as well as your pharmacy as a whole. The key is to measure it and communicate the results with key people in the practice so the results can align with your goals for having one.
Once you’ve decided to extend your in-house pharmacy, a blended use of both inside and online pharmacies will become the norm pretty quickly. This is a very similar pathway to what took place with our laboratories about a decade ago. There came a point of realization that doing everything in house just didn’t make enough sense. So we’ve been here already and have had the opportunity to experience a successful shift.

To put things clearly, the addition of an online pharmacy in your practice simply requires some planning. The simple graphic below illustrates a planning model from a high level. The details at each level are yours to work through, because no practice is the same as another.