The Ultimate Guide to Perpetual Inventory

Taking Inventory Management to the Next Level with Automation

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What is your pharmacy's inventory turnover? How often do you order new stock? If you can't answer these questions off the top of your head, it might be time to invest in a perpetual inventory management system.

By tracking stock levels and automating reordering processes, a perpetual inventory management system can take your pharmacy inventory management to the next level. Keep reading to learn more about the benefits of using a perpetual inventory system and how to get the most out of one for your business.

Why Visibility of Drug Inventory Matters to Pharmacies

The high cost of inventory for pharmacies is a well-known fact. In addition to the cost of the drugs themselves, there are many other factors that contribute to the total cost of inventory for a pharmacy. One of the most important, and often overlooked, factors is the visibility of drug inventory.

The importance of visibility cannot be overstated. Poor visibility into inventory can lead to significant problems for pharmacies, including:

- **Stockouts:** When pharmacies don't have visibility into their inventory levels, they are more likely to experience stockouts. This can lead to lost sales and unhappy customers.

- **Excess Inventory:** On the other hand, pharmacies can order too much of a particular drug. This can lead to excess inventory, which ties up capital and can ultimately lead to write-offs.

- **Inaccurate Inventory Records:** Poor visibility can lead to inaccurate inventory. This can create problems when it comes time to reconcile with actual physical counts.

What Is a Perpetual Inventory System?

A pharmacy perpetual inventory system is a computerized inventory management system that helps pharmacies keep track of their medications and other products. This type of system can be used to monitor stock levels, track sales and purchases, and generate reports.

This can be done through real-time data entry or by scanning barcodes on products as they are sold. Perpetual inventory systems can also help pharmacies manage their orders and reduce the risk of errors.

The main benefits of using a pharmacy perpetual inventory system include:

- **Increased accuracy:** A perpetual inventory system can help increase the accuracy of your pharmacy's inventory records. This is because the system can track all movement of products in and out of the pharmacy, including sales, returns, and transfers. This information can then be used to generate accurate reports on stock levels and sales.

- **Improved efficiency:** It can also help improve the efficiency of your pharmacy's ordering process. The system can be used to generate reports that show which products are running low in stock. This information can then be used to place orders for these products, ensuring that you always have the products you need on hand.

- **Reduced costs:** Reducing the costs associated with managing your pharmacy's inventory is another benefit of a perpetual inventory system. It can also be used to automate many of the tasks involved in keeping track of your inventory, such as generating reports and ordering products. This can free up time for you and your staff, allowing you to focus on other aspects of running your business.

How Does the Perpetual Inventory System Work?

A pharmacy perpetual inventory system ensures that pharmacies always have the drugs they need in stock and helps to prevent drug shortages.

Perpetual inventory systems are used in many industries, but they are particularly important for pharmacies because of the high value of the drugs they sell and the potential for shortages if inventory is not managed properly. Pharmacies must maintain accurate records of their drug inventory levels at all times in order to comply with state and federal regulations.

1. The first step in using a pharmacy perpetual inventory system is to input data about each drug into the system. This data includes the drug's name, manufacturer, strength, dosage form, and quantity of on-hands. The system will then use this information to track the drug's inventory level and cost of goods sold.

2. When a pharmacy receives a shipment of drugs, staff can either automatically receive the invoice from the wholesaler via EDI which will update their on-hands in the PMS, or scan product barcodes into the system. Either option allows for automatic updates to inventory levels and reorder point adjustments.

3. If inventory levels for a particular drug fall below the reorder point, the system will generate a purchase order for that drug. The purchase order will be sent to the wholesaler or manufacturer, who will then ship the needed supplies to the pharmacy. Staff can also place orders via EDI or through the wholesalers' ordering platform.

Perpetual inventory systems are an essential tool for managing drug inventory in pharmacies. By automating the process of tracking inventory levels and generating purchase orders, these systems help to ensure that pharmacies always have the drugs they need on hand.

Perpetual vs. Periodic Inventory

It can be difficult to understand the [difference between a perpetual inventory system](#) and periodic inventory system if you are not familiar with how each one works. In order to clear up any confusion, we will provide a brief overview of each system below.

A perpetual inventory system is designed to track inventory levels on a continual basis. This means that every time a product is sold, the inventory records are updated

accordingly. This type of system provides businesses with real-time data about their current inventory levels, which can be beneficial for making strategic decisions about ordering new products or managing stock levels.

A periodic inventory system, on the other hand, does not track inventory levels continuously. Instead, businesses using this type of system take physical count of their inventory levels at set intervals, such as once per month. This data is then used to update the inventory records. While periodic inventory systems do not provide businesses with real-time data about their inventory levels, they can be less time-consuming and costly to implement than perpetual inventory systems.

Pharmacies require real-time data about inventory levels in order to make strategic decisions that directly impact their bottom line. This is why more and more pharmacies are choosing to adopt a perpetual inventory system to manage their stock levels. There really is no comparison.

How to Get the Most Out of Your Inventory Management System

In order to get the most out of your perpetual inventory system, there are a few key steps that you should take.

Master Your Process

You have a pharmacy perpetual inventory system, but are you getting the most outof it? Just having the right software is not enough – you need to have a process in place to ensure that you are making the most of your system. Here is a look at what you need to do.

Understand How the System Works

The first step is to understand how your particular system works. This includes understanding the features and benefits of the system and how it can help your pharmacy business. You should also be aware of any potential limitations of the system so that you can make sure that you are using it correctly.

Train Your Staff

Your staff will need to be trained on how to use the system so that they can take full advantage of its features. They should also be familiar with the process that you have put in place for using the system so that they can follow it correctly. Make sure to provide them with any training materials that they may need so that they can be fully prepared to use the system.

Put Procedures in Place

You will also need to put procedures in place for using the system so that everyone is on the same page. This includes things like how often you will run reports, who will have access to the system, and how you will handle any potential problems that may come up. Having a clear process in place will help to ensure that your system is used correctly and efficiently.

Garbage In, Garbage Out

So what exactly does "garbage in, garbage out" mean when it comes to your pharmacy's perpetual inventory system? Basically, it means that if you input incorrect or outdated information into your system, you're going to get inaccurate results.

For example, if your pharmacy system indicates that you have 100 units on-hand with an order point of 29, you would not need to order more. If in reality your on-hand is less than or equal to your order point, this inaccuracy is exposing you to stockouts. Vice versa if your PMS thinks you have less than 29 but you actually have 100 on-hand, the system will suggest reordering which will result in overstocking this item. As you can see, data accuracy is a must.

Making Adjustments to Your System

If you are not making adjustments on a regular basis, then you are not getting the most out of your perpetual inventory system. An even better option? Consider working with a partner like Datarithm who will automatically and proactively handle these types of updates for you:

- Check for new or discontinued medications regularly. Make sure that your system is updated with the latest information on new medications so that you can stock them appropriately. If a medication is discontinued, remove it from your system so that you do not continue to order it.

- Review your inventory levels frequently. Adjust your reorder points and quantities so that you have the right amount of inventory on hand at all times.

- Monitor your pharmacy's sales patterns. Use this information to adjust your inventory levels accordingly. For example, if you notice that a particular medication is selling well, you may want to increase your stock of it.

- Keep an eye on expiration dates. Make sure that you adjust your inventory software accordingly, so that expired medications are removed from your system. This will help you avoid dispensing expired medications to patients.

- Stay up to date with changes in the law. There are often changes made to the laws governing pharmacies, such as new requirements for labeling or storage of medications. Be sure to update your inventory software so that you are in compliance with these changes.

Use an Electronic Counting Device

An electronic counting device helps you keep track of your inventory levels at all times, which can save you a lot of time and money in the long run.

There are many different types of electronic counting devices on the market today, so it is important to choose one that will work best for your needs. You will want to consider the size of your pharmacy, the type of products you sell, and the frequency with which you need to update your records.

Once you have selected the right device for your needs, you will need to set it up in your pharmacy. This process is usually fairly simple and can be done in just a few minutes. After the device is set up, you will need to input the information about each product

into the system. This process is typically very quick and easy, and you should be able to update your records on a regular basis without any problems.

Common Causes of Incorrect Inventory

One of the most common causes of incorrect inventory is human error. This can include errors made when inputting data into the system, or simply mistakes that are made when counting or checking inventory levels. Although these errors can be frustrating, they are often easy to correct once they are discovered.

Another common cause of inaccurate inventory is expiration dates. When products expire, they need to be removed from the shelves and replaced with new stock. However, sometimes expired products are not properly removed from the inventory system, which can lead to stockouts.

Finally, another common cause of inaccurate pharmacy inventory is theft. This can be either internal or external theft, but it can result in significant losses for a pharmacy. In order to prevent theft, it is important to have secure storage areas and to keep track of who has access to the pharmacy's inventory.

By understanding some of the most common causes of incorrect inventory in a pharmacy, you can be better prepared to manage your own stock and avoid these mistakes.

The Power of Automation in Pharmacy Inventory Management is Undeniable

Pharmacies have to keep track of many different types of inventory, from drugs and medical supplies to packaging and shipping materials. A perpetual inventory system can help automate this process, making it easier to track what you have on hand and reducing the chances of running out of important items.

However, in order to get the most out of a perpetual inventory system, pharmacies need to make sure they have a solid process in place for implementing and using it. By following the steps we've outlined, you can make sure your perpetual inventory system works for you and helps your pharmacy run more smoothly.

About Datarithm

Datarithm was founded in 2005 by a pharmacist, a software engineer, and a medical sales professional who joined forces to fill a gap in the independent pharmacy space. We share the belief that pharmacies are the first line of healthcare within our communities. As your ally, we pair the power of our inventory management platform with hands-on training, daily insights, and personalized guidance. You'll get information you can act on as soon as tomorrow and financial results you can see in less than two weeks.

With an intuitive dashboard, automated forecasting, inventory balancing, cycle counting, and advanced analytics, it's never been easier to increase your pharmacy's cash flow while putting time back in your staff's day. Efficiently manage turns and fill rates and keep your business operating above the wellness line. Visit www.datarithm.co to schedule a no-obligation demo or call 877.273.5112 and start securing the future of your pharmacy today.

Don't take our word for it... take theirs:

"Within ten minutes of going live, I pulled $10,000 worth of dead stock that I didn't know I had on my shelves. Over a 3 month period of time, I managed to reduce my inventory $100,000 and be able to keep it down since then."

Steve Spruill
Owner of Maddox Drugs in Toccoa, GA

"Reception to customer feedback and willingness to consistently and constantly improve their software will keep Datarithm® thriving and vibrant for years to come. The 20-25% reduction in inventory overhead and ease of inventory management simply become the icing on the cake."

Kyle Yoder
PharmD, Pharmacist Manager of Moose Salisbury Pharmacy of Salisbury, NC

"In the first 3 to 4 weeks with Datarithm®, we did about $100K worth of returns. Datarithm® has, from a pharmacy that we felt was well stocked with very few 'we owes', decreased our overall inventory by $320K and did not greatly increase our 'we owes.' The product works by decreasing your inventory levels while not inconveniencing your patients."

William Cooper
Pharmacy Manager at PRMC Home Scripts

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