Family-Owned Pharmacy Reduces Surplus by 76% in Six Months, Dramatically Improving Liquidity

Client: Alabama-based family pharmacy (Southside Family Pharmacy)

Size: Single store

Client Objective: Southside Family Pharmacy had a substantial surplus on their hands when they switched to Datarithm from an inventory management system provided by their wholesaler.

Client Results:

	Start	1-month Improvement	6-month Improvement
Total Inventory	$239k	$161k (Down $78k / 33%)	$132k (Down $107k / 45%)
Surplus Inventory	$124k	$64k (Down $60k / 48%)	$34k (Down $90k / 73%)
Turns	16.4x	19.6x (Up 3.2 points / 20%)	27.3x (Up 10.9 points / 66%)

As of 5/30/23 (6-month positions):

DATARITHM EFFECT		
Base		**Now**
Nov-25 2022		
$238,897	On Hand -48%	$131,652
$124,493	Surplus -76%	$34,482
$228,729	Ideal Inventory +6%	$241,456
16.35	Turns +67%	27.29

SURPLUS		
Overstock		**Dead**
257	Items	182
$5,997	5% Value 19%	$24,013
$805	Returns	$2,015
$0	Transfers	$0

The Story:

Southside Family Pharmacy is owned and operated by a husband-and-wife team, dedicated to serving their community by providing the best healthcare services which are customized to meet their patients' needs. They initially signed on with Datarithm in August 2017, but thereafter found themselves using the inventory management system provided by their wholesaler to avoid daily order responsibilities. In late 2022, frustrated with a bloated inventory, unacceptable stock-out levels, tightened cash flow, dissipating liquidity and fear of the looming DIR fee changes, owners Tracy and Sara were scrambling to fix their inventory, elevate service and reduce financial stress. Tracy noted, "Our inventory was a complete mess. We were clearly over-stocked, but also experiencing excessive owes and stockouts. Further we were struggling with cash flow and just knew we had to fix our situation."

Ultimately, Southside truncated usage of their wholesaler's inventory management system, returned to Datarithm and the transition to automated perpetual inventory and EDI ordering commenced. Southside focused on inventory optimization by leveraging Datarithm's monthly usage-based reorder point updates, automated daily wholesaler return recommendations and intelligent Cycle Counting. The transparency along with custom reports helped the Pharmacy's owners track staff performance and make more informed, data-driven inventory management decisions.

Moving back to Datarithm for conversion to perpetual inventory and deploying EDI ordering has allowed Southside to take back control of their largest investment and biggest expense. Within just one month, inventory decreased by $78k and surplus by $60k, and inventory Turns improved by 3 points to 19.6x. Simultaneously, Datarithm's re-order points did their job and stock-out and short-fill rates declined, and patient service levels improved. Additionally, both carry costs and future risk of short-dated and expired returns were reduced. Financial stability was on the mend as overstocked and dead inventory was converting to cash. At the six-month mark, all of the metrics continued to report further improvement.

Liquidity is more comfortable, future risks are lower and Southside is now in a much better position to handle the looming changes to DIR fees in 2024. These results prove that automated inventory optimization is not just for chain pharmacies; single-store independents have much to gain as they look to the future.

"We couldn't have been happier, relieved actually. The things that really stand out were how fast improvements were realized and we could actually reduce inventories and improve service at the same time. The simplicity of Datarithm's wholesaler return and cycle counting functions were appreciated as well. They really provided breathing room and we feel much more comfortable with our financial position as the DIR change approaches."

—Tracy, Southside Family Pharmacy

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