



# Effective inventory management

in clinical practice

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## Introducing inventory management in clinical practice

Those dietary supplements on your shelves can significantly affect a patient's health, as well as have an important financial impact on your practice. Think of them as stacks of money that will either benefit or burden your bottom line. That's why effectively managing dietary supplement inventory in clinical practice is so important.

In 2019, 77% of Americans reported that they were taking dietary supplements.<sup>(4)</sup> Dietary supplements are not only a significant part of a patient's wellness plan, they are an important tool that integrative practitioners can use to help improve clinical outcomes.

The first step in recommending dietary supplements is choosing quality products, and ensuring that patients use the highest quality products often requires the practitioner to have an in-office or online dispensary, or both.

"We stock physician-grade products from companies that we have fully vetted and that

support our industry," said Dr. Debi Smolinski, ND, co-owner of Naturopathic Specialists, a clinic located in Scottsdale, AZ. "We stock products in our clinic because it's convenient for our patients and it helps ensure patients are taking the highest quality products available to them."

For more information about scrutinizing dietary supplement quality, click [here](#). You will also find helpful information about evaluating dietary supplement quality by listening to this [podcast](#).

Once practitioners determine which quality products they want to recommend, the clinic needs to decide how to get those products into the hands of their patients. Will products be dispensed in the office? Will the clinic partner with an online dispensary? Or both?

Understanding the advantages and challenges associated with the different inventory management solutions can help you in making the best choice for your clinic and your patients.



# Overcoming in-office inventory issues

When inventory is properly managed, it can have a positive impact on the clinic's efficacy, efficiency, and its bottom line. According to Entrepreneur online, effective inventory management can increase profitability significantly, in some cases by 50% or more.<sup>(5)</sup>

## Managing inventory includes:

- Efficiently organizing stock
- Keeping enough products on hand without burdening cash flow
- Monitoring inventory levels
- Estimating future needs<sup>(1)</sup>



Assuming there is patient demand for dietary supplement products in the clinic, in-office inventory management requires two key assets: cash and resources (e.g., employees).<sup>(8)</sup> Without these two assets, managing dietary supplement inventory efficiently and economically is challenging at scale. Having

a person or people in charge of inventory management helps ensure that efficient management processes are in place.

## The importance of efficient systems

A 2017 report of small to medium-sized businesses identified employee knowledge and skill as a leading factor that influences inventory management effectiveness.<sup>(3)</sup> An organized individual, even if they are not specifically trained in inventory management, will be able to establish efficient systems to keep track of products on the shelves. It's important to create a solid plan with a consistent schedule for counting products, placing orders, talking to suppliers, and examining the data.

In the case of Naturopathic Specialists, in addition to the large inventory of dietary supplements, they stock bulk botanical tinctures, homeopathic remedies, medicinal foods, topical preparations, and some body products. "We place orders weekly and we have our products organized alphabetically by supplement name," said Dr. Smolinski. "We have tried organizing by system or vendor, but we have found the alphabetical organization works best for our front desk to quickly find products that are needed." The clinic also utilizes software to help manage inventory, which will be discussed further in this guide.



## Other issues to consider

In addition to establishing an efficient system to track and maintain inventory levels, there are other aspects to consider. For example, having an in-office dispensary takes up space.

### Key questions to consider regarding dispensary space include:

- How much space will you be able to devote to your in-office dispensary?
- Where in the office will it be located?
- Can your products be stored in a secure but easily accessible location for staff?
- Do you have space for special storage needs, such as for products that need to be refrigerated?

“Many practitioners may not realize that the square footage used for in-office dispensaries, including the unboxing and display space, as well as the additional transaction time, are all costs that are buried in the overhead of the practice,” said clinician Dr. Corey Schuler, MS, DC, CNS, LN.

According to Dr. Schuler, there is also the additional cost associated with disposing of expired products, which is an issue that all clinics must face when they have an in-office dispensary.

In addition to looking at the shelves when placing the weekly order, Naturopathic Specialists conducts a physical inventory twice

per year. “This has been helpful to identify products about to expire,” said Dr. Smolinski. “We make lists of what is not selling, and we bring this to the attention of our doctors to help cut down on expired products.”

Periodic physical inventories also typically involve moving the older stock to the front of the shelves. Additional information about handling expired dietary supplements can be found [here](#).



Another issue that can significantly affect the bottom line is out-of-stock products. When a prescribed product is not on the shelves, there is not only a loss of revenue but a potential impact on patient outcomes and satisfaction. In addition, out-of-stocks and back-ordered products may force the practitioner to find an alternative, which may not be ideal. Paying close attention to inventory turnover, identifying trends, and utilizing technology are critical to avoid out-of-stock products.



# Inventory management tools

One way to address in-office management issues is with technology. According to Business.org, who evaluated the top six best inventory management software for small businesses, a software program can range from \$71 per month up to \$499 per month.<sup>(2)</sup> The software they rated as “best overall” is Cin7, for which subscriptions start at \$299 per month. It’s important to note that the inventory management solutions featured in this review are not specifically for the dietary supplement industry and do not integrate with practice management software such as electronic medical records (EMR) systems.

“We presently use Naturaesoft Office Pro as our EMR and we do utilize the inventory management system on it to keep track of orders and numbers sold,” said Dr. Smolinski. At Naturopathic Specialists, they have a

robust in-office dispensary, but they also partner with Fullscript’s online dispensary to fulfill supplement orders for patients who are unable to make an in-office visit.

“I feel that having both an in-office dispensary and a relationship with an online dispensary is an industry best practice,” said Dr. Schuler, who is also the Director of Clinical Affairs with Integrative Therapeutics, a manufacturer of dietary supplements for healthcare practitioners. “At Integrative Therapeutics, we have learned that online dispensaries increase refill rates, and combining in-office with online dispensing options yields the highest level of patient adherence.”



# Exploring your options

Inventory management is a skill that requires the ideal balance between satisfying the needs of patients while considering business needs. If you decide to have an in-office dispensary, the key is to keep inventory low enough to be financially feasible while still being able to meet patient demand. You are successful when you know what products you have on hand and have an efficient reordering system in place to reduce the risk of shortages.<sup>(7)</sup>

Inventory management is having control over the products you stock in your office or recommend via your online dispensary. It's making sure the patient gets the exact product you recommend at the time when they need it. Sometimes this requires them to leave the clinic with the product in hand and sometimes it means having the product directly delivered to their home.

As with all options, there are pros and cons to each way of managing dietary supplement inventory in your clinical practice.

## An in-office dispensary

The chances of a patient following a treatment plan are almost guaranteed if you can hand the product to them in-person at the end of the visit. This is perhaps one of the most significant benefits of having an in-office dispensary for both the practitioner and the patient. Selling products in the office also yields a better bottom line as wholesale margins are larger than online

margins. However, in some cases, the in-office dispensary issues mentioned previously can partially offset or completely neutralize that gain.

Having some products in the office may also be necessary for acute care, such as infections, burns, bruises, diarrhea, headaches, and other issues. On the other hand, high-priced items, bulky products, and products with specific storage requirements like some probiotics may be more appropriate to dispense online.

"In-office dispensaries are still important when it comes to products that are routinely recommended and have a faster turn rate," said Dr. Schuler. "Purchasing products at the point-of-sale is an immediate return on investment and is a powerful feedback mechanism for patients."

He explained that determining which products should be kept in the in-office dispensary and which products are ideal for the online dispensary is practice-specific and requires patient-focused planning. Dr. Schuler believes that practitioners are patient-centric, which means they want to provide the most efficient access to the nutraceuticals they recommend. This often means utilizing both an in-office dispensary and an online partnership.



## An online dispensary partnership

“I remember when I first heard about online dispensaries, I could immediately see how this was going to relieve several of my clinical practice headaches,” explained Dr. Schuler. “I knew it would free up much-needed capital and office space. Also, online dispensaries offer a living portal and a history of instructions for nutraceutical use among my patients.”

According to Dr. Schuler and other practitioners who utilize an online dispensary, this option can help practitioners overcome many of the challenges of in-office dispensaries.

### For example, online dispensaries:

- Provide an efficient system for patient ordering and ensure patients receive the quality products prescribed by the practitioner
- Ensure product availability and reduce the risk of encountering out-of-stock products
- Eliminate the need to monitor expiration dates on products and write off damaged or expired inventory
- Reduce the office resources required to manage in-office inventory
- Eliminate the cost associated with an expensive inventory management software

In addition to overcoming some key in-office dispensary challenges, an online dispensary can enhance patient compliance with features such as refill reminders and auto-shipment. Patients also find online dispensaries convenient and easy to use.

Click [here](#) to learn how Dr. Holly Lucille, ND, RN uses an online dispensary and manages a scaled back in-office inventory.

## Starting a new practice

An online dispensary may also provide an effective solution for practitioners who are just starting in clinical practice. This option helps keep overhead low and avoid other in-office dispensary issues, such as the need for extra staff, space, and software.

**“When I was starting my clinical practice, I didn’t have the opportunity to use an online dispensary, so I can now appreciate the significant value it brings to the table,” said Dr. Schuler. “To students and interns, I recommend beginning with an online dispensary, as well as considering a seedling in-office dispensary.”**





# Overcoming the “Amazon effect”

Both new practitioners and seasoned clinicians have to spend some time focusing on how to improve patient compliance by using the exact products they recommend. This can be challenging due to the influx of third-party retail and online sellers, including giants like Amazon and eBay.

Online purchases of dietary supplements have increased dramatically. From 2018 to 2019, online sales grew by 40%, 12% faster than the rest of e-commerce, and 77% of these sales were via Amazon.<sup>(9)</sup> Patients are often shopping around for the best price and Amazon typically meets that need, but are patients saving money while paying a higher price with their health in the long run?

“We do see patients make poor online choices to try to save a few bucks,” said Dr. Smolinski. “Some online sites are not selling reputable products, which can change the expected health outcome, cause harm to the patient, and lose valuable progress with the treatment plan as outlined by our physicians.”

Many issues can arise when purchasing products from third-party sellers such as Amazon. In August 2020, Nutra Ingredients featured an analysis of 43 different products conducted by NOW supplements that found that the majority of phosphatidylserine supplements purchased from Amazon did not contain the potency listed on the label, and 17 of the products contained less than 10% of the label potency.<sup>(6)</sup>

For more information about dietary supplement quality and the pitfalls of third-party purchases, click [here](#).

In addition to the issue of quality, supporting local businesses is important to many patients and may be worth mentioning. “We try to explain to patients that the revenue we get from our in-office dispensary allows us to employ more highly-qualified staff, which means better service for our patients,” explained Dr. Smolinski. “When a patient chooses to purchase outside our dispensary, it actually could impact the level of care they’ve come to appreciate from our clinic.”

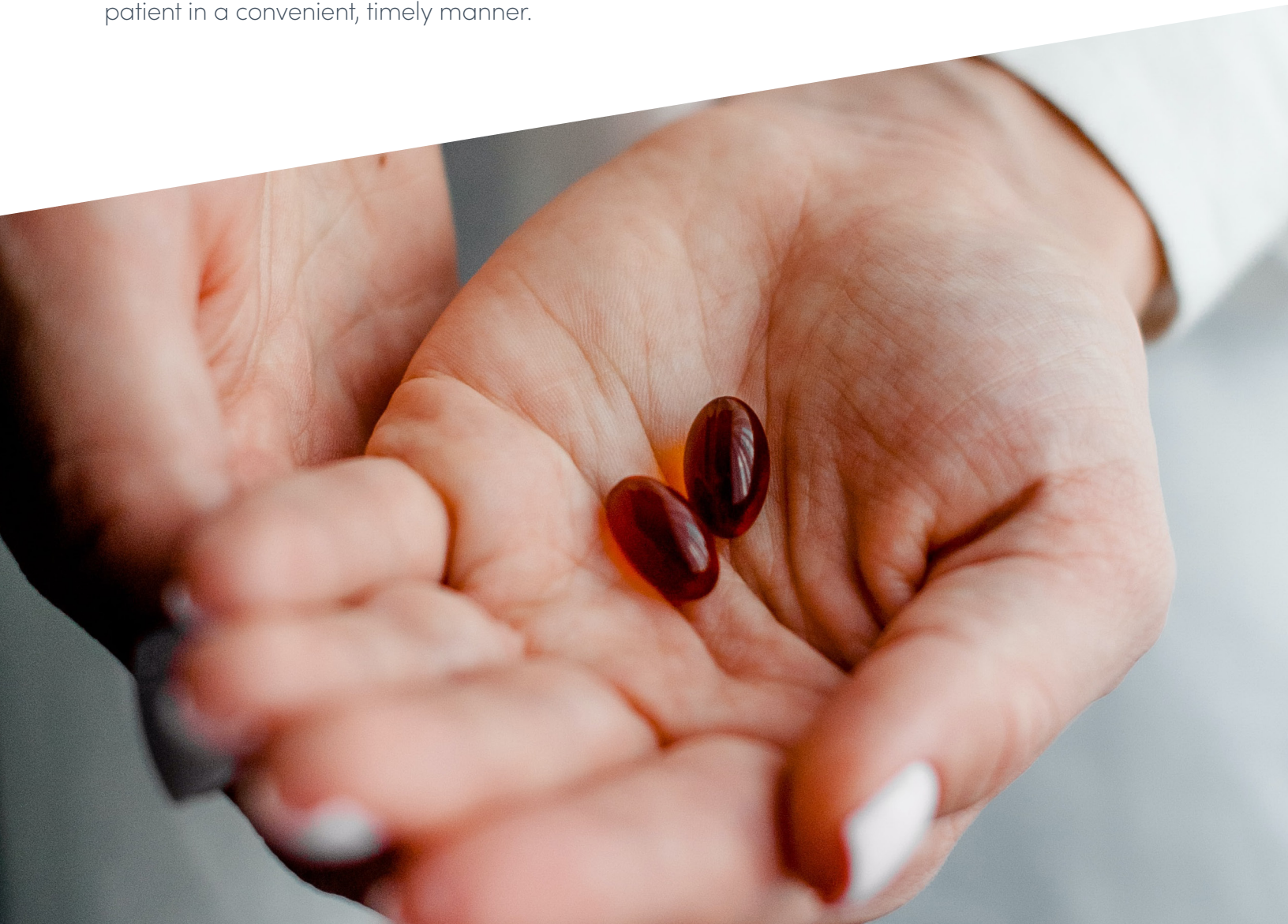


## Reviewing what matters most

When managed properly, dietary supplements can help a clinic and its patients thrive. Dietary supplements are a significant tool used by integrative practitioners to improve patient outcomes and enhance health. However, ensuring the patient takes the exact product prescribed by the practitioner can be challenging. In order to accomplish this, practitioners can consider stocking products in the office and/or partnering with an online dispensary that can send the exact recommended product to the patient in a convenient, timely manner.

“Let’s face it, it has become impossible for clinics to stock all products needed for all patients,” said Dr. Schuler. “That’s why, in my view, a combination of an in-house dispensary and an online partnership makes sense.”

Of course, the best dietary supplement dispensing solution is unique to each clinic and based on the practitioner’s preference and the needs of their patients.



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