

# APOTEKSGRUPPEN

## MANAGING THE COMPLEXITY OF A PHARMACY BUSINESS



Apoteksgruppen is using RELEX's solution since 2014 to make its replenishment and inventory management more efficient. RELEX has provided Apoteksgruppen with highly effective tools that support decision making, optimize reordering and improve the organization's control over its entire product range.

### Background

**EACH PHARMACY OWNER** within the group is self-employed. The need for particular products and their demand patterns vary widely between pharmacies and are heavily influenced by their location and their customer profile. The central service organization therefore has an extremely important and challenging role in supporting the entrepreneurs and helping them develop an efficient and profitable business through competitive economies of scale.

A defining characteristic of the pharmacy sector is a large assortment of products, all of which have very different demand patterns. While maintaining a wide assortment is one of the group's strengths, it also comes with a number of challenges. Because storage space in individual pharmacies is usually

### APOTEKSGRUPPEN AT A GLANCE

Apoteksgruppen is one of the largest pharmacy chains in Sweden

**THE GROUP CONSISTS OF** 183 independently owned pharmacies

**THE PHARMACIES ARE RUN** locally by their owners with support from a central service organization

**THE PHARMACIES OFFER** a comprehensive range of prescription and over-the-counter drugs as well as other health and beauty products

- ✓ **INCREASED** sales and availability
- ✓ **REDUCED** capital tied up in stock and waste
- ✓ **BETTER** support for managing generic products



minimal, products have to be allocated optimally in order to be included in the assortment. In addition, some products are of vital importance, which means they must be included in the assortment even though demand may be very low. Managing a large number of exceptions while ensuring optimal availability and stock levels is not easy.

At the Apotek Stenbocken pharmacy in the Swedish city of Gothenburg, as with many other pharmacies in the Apoteksgruppen chain, staff used to rely on gut instinct and repeated demands from customers to guide ordering. Apoteksgruppen wanted to provide a far better alternative and asked RELEX for help.

### **Total control over availability**

**PREVIOUSLY, APOTEKSGRUPPEN** had no inventory management system. This meant it could never be fully confident of the availability of any product for any given period. Endless hours of labor-intensive administration were required to make sure that availability levels were acceptable, and it often took many months before it was realized that a product was permanently out of stock. Pharmacists rarely had time to go through all the products due to their workload.

“When you handle some 10,000 products manually, it’s hard to keep tabs on which of them doesn’t sell,” says Pharmacist Daniela Rohlén, owner of Apotek Stenbocken. “Previously, we’d always relied on the customer telling us if a product was missing. Only then did we realize that it wasn’t in the shelf.”

RELEX now provides all the information needed to make a decision in black and white. By using historical data to calculate the demand for each product, the system provides accurate information about product availability, inventory balances and forecasted demand.

“RELEX ensures that there are no longer any unnecessary products that tie up capital on our shelves,” says Rohlén. “This is incredibly important as usually you can’t return products you have accepted. With RELEX, I’m able to optimize my sales while keeping one eye on the products. Without RELEX, not many can say the same.”

### **Automatic calculation of order parameters**

**RELEX SUGGESTS ORDERING** parameters to the pharmacy to make it easy for them to decide which products they want or need to include in their assortment, and which ones they will drop. Having previously relied on instinct, the pharmacies now have full control over their own supply and can influence availability.

The ordering parameters are automatically calculated for each pharmacy every two weeks. These can be reviewed in just an hour to check that the proposals correspond to actual demand.

When the pharmacy has reviewed and approved the proposal, they are sent to the ERP-system, which then automatically, based on the parameters, orders the products. The proposals support day-to-day work and help the pharmacy to control the assortment easily and effectively, as well as read the products’ demand directly from the system.

### **Less waste through accurate demand forecasts**

**PHARMACIES HANDLE BOTH** prescription and non-prescription drugs. Within these segments, there may be up to 20 different generic products within each product group. If all the generics were included in the assortment, they would take up valuable space and cannibalize sales. In order to ensure there are not too many generic products in the assortment, Apoteksgruppen needed an effective inventory management system that would forecast real demand and consumption.

The RELEX solution automatically forecasts product demand giving each pharmacist the data they need to ensure that there’s a carefully chosen assortment for each product group to optimize choice while minimizing waste.

Pharmacies also review their health and beauty products three times a year. Based on each pharmacy’s planograms, RELEX identifies which products should be included in its assortment. RELEX then provides a proposed assortment that accounts for the need to build displays of some products while others need not be on display at all.

### **A flexible decision-making tool**

**RELEX HELPS THE PHARMACIST** make important decisions by quickly and efficiently flagging products or product groups where stock levels need to be increased or decreased.

“The flexibility that RELEX gives us and its decision-making support, combined with the pharmacist’s specialist knowledge, ensures that vital drugs are always available when the customer needs them,” Rohlén stresses.

In exceptional cases, it is ultimately the pharmacist who has the expertise needed to take a decision. For instance, when a customer leaves the area and no longer uses that pharmacy, the pharmacist can use their knowledge to ensure the system doesn’t create dead stock and tie up capital by ordering products that had no other market than that particular customer.

“No system can predict that a specific customer will always need a medicine that’s vital to them whenever they call in,” says Rohlén. “However, there is a synergy between one’s own experience and the data held by the system. With RELEX it works seamlessly.”

### **Automatic promotion management**

**CONTINUOUS PLANNING** and the manual calculation of order quantities for promotions was taking up a lot of pharmacists’ time. Now, RELEX supports them by automatically obtaining a foundation for forecasts before the start of any promotion. With their help, the central service organization can then calculate how much each pharmacy will sell and how much should be ordered for any given promotion. **Based on the forecasts, order proposals are created for each pharmacy, saving each pharmacy up to 10 hours of manual stock management each month. The proposals can now be approved by pharmacies in around 30 minutes.**