



5 Ways Smarter Purchasing Helps Independent Retail Pharmacies Stay Competitive

This white paper addresses challenges that independent pharmacies are facing today and focuses on how independent pharmacies should leverage smarter purchasing to save more, stay compliant and work smarter.



Greater purchase volumes enable larger chains to negotiate better prices and terms with wholesalers and manufacturers. Independent pharmacies, on the other hand, don't benefit from the same economies of scale, which makes obtaining acceptable rates for drugs and other terms more difficult.

Today's independent retail pharmacies face a myriad of challenges, from managing an increasingly wide breadth of products, to finding time to assist customers, to ensuring consistent regulatory compliance. Just look at the numbers.

Inventory costs now comprise 68% of pharmacies' expenses.¹



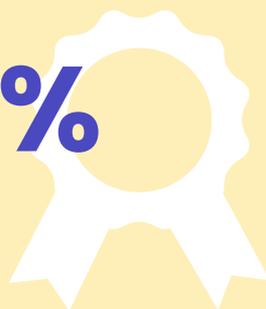
\$100,000



Some retail pharmacies spend up to \$100,000 per month—or \$600,000 to \$1.2 million per year—on inventory alone.²

51% of consumers prioritize quality of service—including rapid prescription fulfillment—when choosing a pharmacy, and 41% prioritize price.³

51%



41%

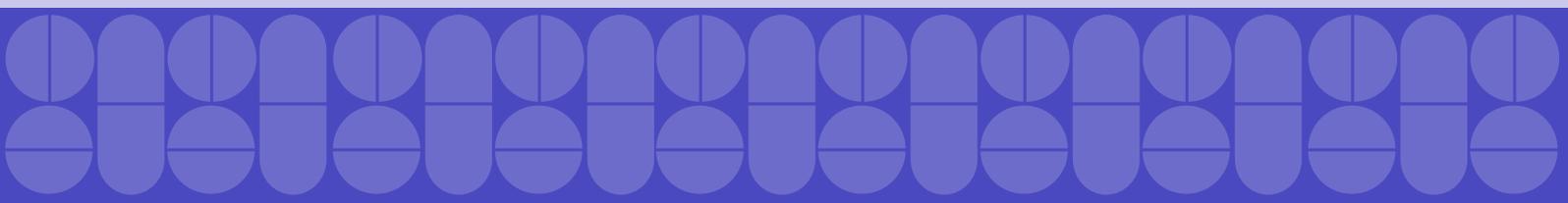


10%



Despite consumer demand for more attention from behind the pharmacy counter, pharmacists can currently devote just 10% of their time to counseling patients.⁴

At SureCost, we believe in supporting local independent pharmacies. This white paper will get into challenges that independent pharmacies are facing today and focus on how independent pharmacies should leverage smarter purchasing to save more, stay compliant and work smarter—three things we like to focus on and help our customers with. Let's get started.



Declining cash flow and margins is the longstanding challenge, impacting how much control pharmacies have when it comes to their pricing and their reimbursements between the payers, the third parties, DIR fees and so much more.

Challenges Facing Today's Retail Pharmacies

Limited Bargaining Power

One of the most serious problems that small retail pharmacies confront is increased consolidation, with the larger chains gaining more leverage when it comes to buying power and technology advances that independents either don't know about or aren't able to access.

Nathan Taylor, Vice President of Business Development and Sales at SureCost, notes, "There are certain products that are just not profitable so they're pushing those to the big chains. We're starting to see there's additional consolidations that have gone on. Over the years, big chains continue to gobble up some of these independents."

This is due to small retail pharmacies lacking negotiation power in comparison to large pharmacy chains. Greater purchase volumes enable larger chains to negotiate better prices and terms with wholesalers and manufacturers. Independent pharmacies, on the other hand, don't benefit from the same economies of scale, which makes obtaining acceptable rates for drugs and other terms more difficult. As a result, independent pharmacies may struggle to provide competitive pricing to their customers, potentially resulting in market share loss.

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Rising Costs and Shrinking Margins

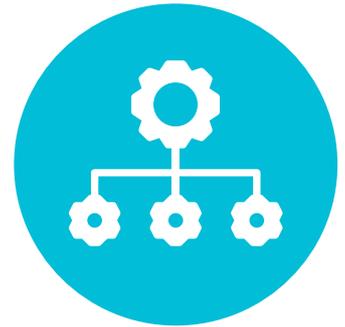
Declining cash flow and margins is the longstanding challenge, impacting how much control pharmacies have when it comes to their pricing and their reimbursements between the payers, the third parties, DIR fees and so much more. Due to big-box chains having larger market share and financial clout, they have more leverage to secure better pricing terms and reimbursement rates. Whereas independent retail pharmacies are finding it difficult to maintain reasonable margins on prescriptions as medication prices continue to rise. Simultaneously, insurance company and government program reimbursement rates may not keep pace with rising prescription costs, further compressing firm profits. This financial burden might reduce the sources available for investing in new technology, increasing services or enhancing patient care.



Big-box pharmacy chains have a competitive advantage in maintaining DSCSA compliance due to their larger financial resources, advanced infrastructure, established vendor relationships and centralized operations.

A Spotlight on DIR Fees

When it comes to DIR fees, we know about the DIR cliff that's coming up later this year. As such, it's critical for independent retail pharmacies to focus on reconciliation, truly understanding what their cost of goods are. Don't just focus on these gross dollars, understand the net costs, even price coding, and then the workflow enhancements. With Part D reimbursement, some of the plans are paying more on some of these branded transactions and, unfortunately, in 90 to 140 days, they're going to call some of those fees back.



Inventory Management Complexity

Inventory management is a vital component of running a successful pharmacy. If independent pharmacies have a hard time getting their hands on a particular product, a customer may end up going somewhere else to get it, taking the rest of their business with them. With greater financial resources, big-box chains invest in advanced technology and automation, streamlining their operations and reducing labor costs. However, independent retail pharmacies frequently confront inventory management challenges. To meet the demands of their patients, they must stock a wide choice of pharmaceuticals and supplies. Overstocking or understocking raises carrying costs or results in stockouts when managing various vendors and product lines. To balance inventory levels with shifting demand, careful planning and precise forecasts are required, which is difficult for independent pharmacies with limited resources.

DSCSA Compliance Burden

Big-box pharmacy chains have a competitive advantage in maintaining DSCSA compliance due to their larger financial resources, advanced infrastructure, established vendor relationships and centralized operations. For independent retail pharmacies, ensuring DSCSA compliance is time-consuming and resource-intensive, detracting from core pharmacy operations and patient care.

These challenges have a significant negative impact on independent retail pharmacies' bottom line. As a result of big-box pharmacy chains, independent pharmacies struggle to negotiate favorable pricing with suppliers, leading to higher acquisition costs for medications. Additionally, the lack of a centralized purchasing platform hinders efficient procurement practices, resulting in missed cost-saving opportunities and potential overstocking of slow-moving inventory. The manual and time-consuming inventory management processes also leads to higher carrying costs and increased risk of expired or obsolete products, further impacting profitability. Moreover, the complexities of compliance, such as meeting DSCSA requirements, results in administrative burdens and potential regulatory penalties. These challenges collectively strain financial resources and profitability for independent retail pharmacies, making it crucial for them to adopt effective strategies and solutions to overcome these obstacles.

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What does that ultimately mean for today's retail pharmacies? Independents must focus on really understanding what their costs are and what that means for their gross profit.

Let's get into how smarter purchasing strategies help retail pharmacies overcome these challenges to stay competitive.

01



Leverage Buying Relationships Effectively

GPOs and Buying Groups

Independent retail pharmacies may be thinking, "I don't have the volume that these big chains have; how am I going to negotiate and get better pricing when I don't have that type of volume behind me?" SureCost has the answer. Leverage buying relationships that are out there, whether it's a GPO, buying group and/or program associated with the primary.

"At SureCost, we've seen some independent pharmacies struggling, looking for different avenues. They don't want to sell their files to the big-box pharmacies. Instead, a buying group has been able to help them avoid this. Ultimately, it's the independent pharmacy's decision, but from their perspective, they still want to provide those benefits as an independent, they just don't have the leverage needed to continue to maintain the business and the profitability they once had and a buying group empowers them and helps them get back to profitability," said Taylor.

Taylor went on to say, "Independents must also stand up and make a stand for what they believe in. If you're not happy with the reimbursement you have a say. Stand up. Ultimately, it's going to impede your profitability and whether you're going to be in business or not. We've seen that with some various buying groups, which is good, but there just needs to be more of that within the independent pharmacy industry."

Vendor Diversification

Diversifying vendors also allows independent retail pharmacies to access a broader range of products and secure more competitive pricing. By building relationships with multiple secondary vendors, pharmacies compare prices, terms and service levels, ensuring a reliable supply of medications. This approach also reduces the risk of disruptions in the event of supply chain disruptions or vendor issues.

02



Contract Management and Compliance

Proactive contract management is essential for maximizing pharmacy revenue and ensuring compliance with vendor agreements. Independent pharmacies need to understand their contract compliance metrics, such as Generic Compliance Ratio (GCR), and the tradeoffs when complying versus non-complying. By comparing the benefits of complying with contracts and purchasing with secondary vendors, pharmacies are enabled to establish purchasing strategies to meet their financial goals.

Regularly reviewing contract terms, negotiating rebates and tracking pricing compliance also help pharmacies identify discrepancies and claim reimbursements for overcharges or billing errors. By managing contracts effectively, pharmacies maintain stronger partnerships with vendors and improve their purchasing power.

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03



Control Inventory Management. Don’t Let Inventory Management Control You.

Data-driven decision making is a powerful strategy to tackle the challenges faced by independent retail pharmacies. By analyzing historical purchasing data and prescription trends, pharmacies identify cost saving opportunities, optimize purchasing quantities and negotiate better terms with vendors. Advanced analytics tools provide insights into product performance, enabling pharmacies to focus on high-margin products and eliminate slow-moving items from their inventory.

Implementing an inventory optimization strategy involves accurately forecasting demand, setting appropriate reorder points and regularly conducting cycle counts or physical inventories. By optimizing inventory levels, pharmacies reduce carrying costs, minimize waste and prevent stockouts. Leveraging technology solutions, such as [smart perpetual inventory](#) systems, aids in streamlining order fulfillment and minimizing expired products.

04



Avoid Unnecessary Costs at All Costs

Avoid Backorders

The hidden cost with backorders isn't just, "I didn't have this product" or "My customer went somewhere else to get it." It's not just the script that is lost, it's all of their business. Backorders not only disrupt customer trust and satisfaction, but also escalate costs due to emergency shipments, loss of sales opportunities and additional administrative work. By implementing meticulous inventory management practices, pharmacies maintain optimal stock levels, prevent backorders and avert the expenses associated with rush deliveries.

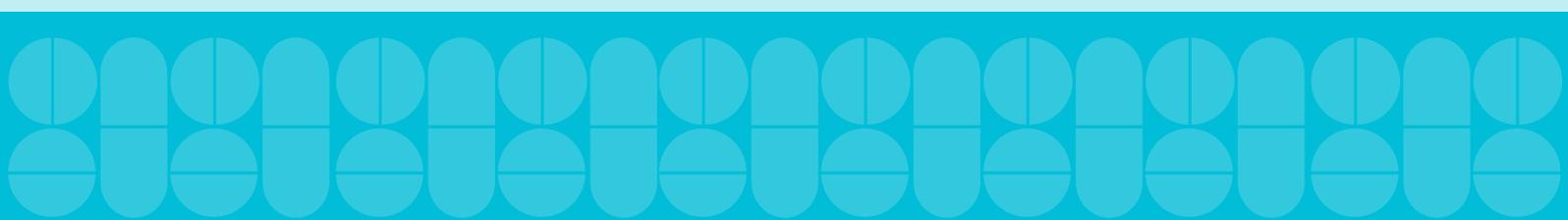
For example, inventory allocation is effective in avoiding backorders. When there's an industry shortage on a product, pharmacies can say to themselves, "I've got X-number of customers that are on this drug. I'm going to save it for my current customer base. When I have new customers coming in looking for it because other pharmacies are out of stock, I'm going to prioritize this stock for my loyal customers." In turn, the pharmacy gains their current customer's trust knowing their pharmacy is watching out for their community, and their continued business.

Advanced tools like SureCost provide real-time insights into inventory levels, enabling timely reordering and effective demand forecasting. This proactive approach not only ensures seamless operations, but also fosters customer loyalty, while concurrently eliminating avoidable expenses that erode profitability.

Avoid Vendor Non-Compliance

Non-compliance with the primary vendor agreement or any form of purchasing program agreements trigger a cascade of consequences, ranging from missed rebates and discounts to strained relationships with key suppliers. By adhering to agreed-upon terms, pharmacies harness the full spectrum of benefits offered by their vendors. By cultivating strong partnerships with primary vendors and diligently adhering to agreements, independent retail pharmacies not only maximize their financial gains, but also cement their position as reliable and committed players in the pharmaceutical landscape, fortifying their competitive edge and their bottom line.

Advanced tools like SureCost provide real-time insights into inventory levels, enabling timely reordering and effective demand forecasting.



As big-box chains leverage their economies of scale, independent pharmacies level the playing field by adopting these standardized practices.

05



Focus on Improving Processes Without (Necessarily) Hiring More Staff

Standardize Processes

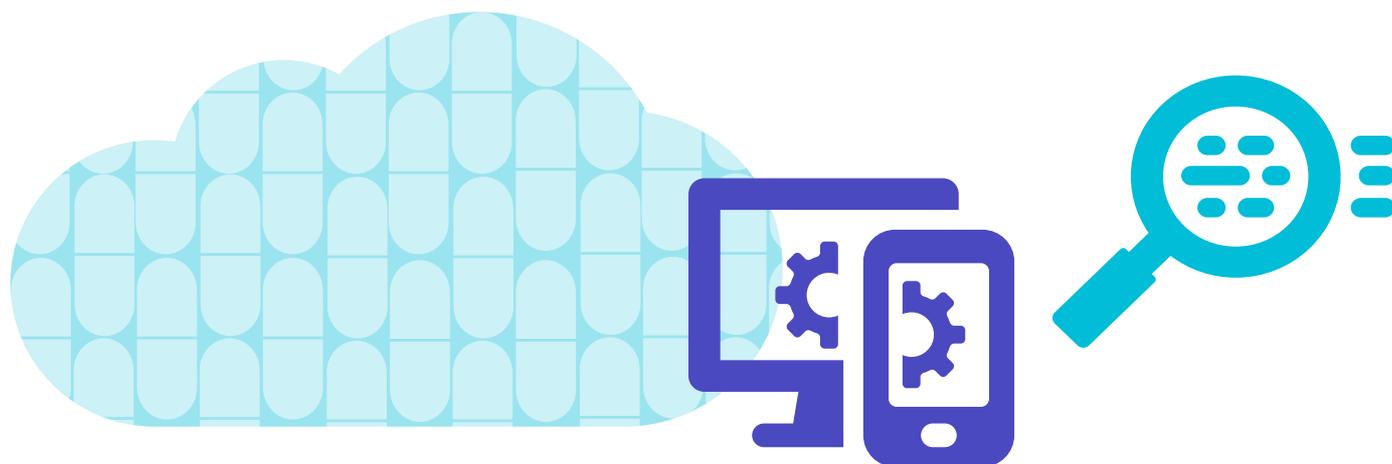
When we talk about "save more" at SureCost, it doesn't just mean getting the lowest cost items possible. It's about getting better visibility on purchasing, inventory management and compliance processes. Standardizing processes is a crucial strategy for pharmacies to maintain competitiveness and improve their bottom line. By establishing consistent workflows and protocols across operations, independent retail pharmacies enhance efficiency, reduce errors and optimize resource allocation. This approach enables them to better manage costs, streamline inventory management and minimize wastage. Moreover, standardized processes facilitate smoother implementation of compliance measures such as DSCSA regulations, ensuring accurate record-keeping, serialization and data exchange. As big-box chains leverage their economies of scale, independent pharmacies level the playing field by adopting these standardized practices. Implementing a cohesive approach across purchasing, inventory management, compliance and other key areas equips independent pharmacies to navigate challenges more effectively, enhance customer service and ultimately boost their competitive edge while bolstering their financial performance.

Taylor believes DIR fees are another example of where independent retail pharmacies can focus on process and procedural efficiencies to avoid the negative impact of these fees. "I think with DIR fees, the view is that independent retail pharmacies really need to look at their contracts, understand those contracts and ultimately what that looks like from a profitability perspective. They also need to factor in the cost of the vial, the labor, overhead, to really understand."

Implement New Technology

By leveraging technology-driven solutions like SureCost to optimize purchasing decisions, negotiate better terms with vendors and maintain optimal inventory levels, pharmacies streamline processes to minimize financial leakage. Streamlining processes is the key to making sure money isn't left on the table. With limited staff, pharmacies need to utilize their resources and time wisely. Finding additional savings through streamlined purchasing processes will open up profitability and, in effect, help with staffing shortages.

Moreover, embracing automated [systems for compliance management](#), like DSCSA adherence, helps prevent penalties and legal ramifications that could otherwise strain resources. These solutions streamline the tracking and tracing of pharmaceutical products, ensuring accurate record-keeping and reducing the risk of compliance issues. By consolidating transaction data within a single platform, pharmacies simplify audits and reduce administrative overhead.



SureCost Purchase Manager offers a centralized purchasing platform that consolidates many vendors, product catalogs and price data into a single interface.

SureCost's extensive network of over 50 secondary vendors gives independent pharmacies access to a wide range of products at competitive prices.

SureCost: Empowering Independent Retail Pharmacies to Thrive in a Competitive Environment

SureCost, as the Smarter Purchasing, Inventory Management and DSCSA Compliance Solution, addresses the specific challenges faced by independent retail pharmacies and provides a comprehensive set of tools and resources that enable pharmacies to excel in a competitive landscape.



Centralized Purchasing Platform

SureCost Purchase Manager offers a centralized purchasing platform that consolidates many vendors, product catalogs and price data into a single interface. SureCost's extensive network of over 50 secondary vendors gives independent pharmacies access to a wide range of products at competitive prices. This diverse vendor network enables pharmacies to source medications, supplies and other products from multiple reliable sources, reducing the risk of supply disruptions. Having a variety of vendor options enhances a pharmacy's ability to respond to market fluctuations and changing patient demands effectively. This enables pharmacists to evaluate pricing, terms and availability from numerous vendors with ease, ensuring they get the best bargains for their inventory needs. Pharmacies save time, improve workflows and make better decisions by unifying purchase data in one location.



Proactive Vendor Contract Management

SureCost enables proactive contract management by helping pharmacies keep track of vendor agreements and pricing contracts. The platform assists in negotiating better terms, monitoring pricing compliance and identifying discrepancies that may lead to overcharges. By proactively managing contracts, pharmacies strengthen their relationships with vendors, maximize cost-saving opportunities and improve their purchasing power with their primary, thanks to SureCost's Primary Vendor Assurance feature.



Smarter Inventory Management

SureCost's Inventory Manager offers a smarter perpetual inventory system that assists pharmacies in optimizing their inventory management processes. By accurately forecasting demand, setting appropriate reorder points and monitoring stock levels, pharmacies minimize carrying costs and prevent stockouts or overstocking. The platform's inventory management features also facilitate efficient cycle counting and physical inventory tracking, ensuring accurate stock records and reducing the risk of expired products.



See Inventory Manager in Action



WATCH
VIDEO

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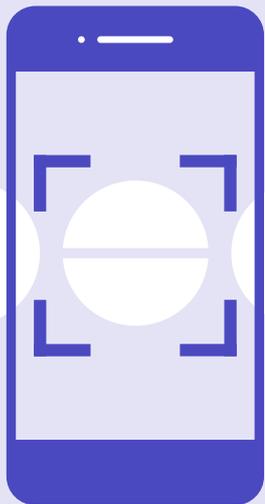
Streamlined DSCSA Compliance

SureCost simplifies the complex process of complying with the DSCSA regulation. The platform automates data maintenance and reporting for DSCSA requirements, ensuring accurate transaction data is captured and tracked electronically. This not only reduces the administrative burden of compliance, but also minimizes the risk of regulatory violations and potential penalties. With SureCost, pharmacies confidently maintain compliance practices and focus on providing exceptional patient care.



Comprehensive Reporting and Analytics

SureCost provides robust reporting and analytics capabilities, enabling pharmacies to gain actionable insights into their purchasing patterns, pricing compliance and rebate opportunities. The platform offers detailed reports on new or changed items purchased, variances between ordered and received quantities, pricing non-compliance and more. These data-driven insights empower pharmacies to identify cost-saving opportunities, track vendor performance and optimize their purchasing strategies.



SureCost empowers independent retail pharmacies to overcome obstacles and increase their competitiveness. With SureCost, pharmacies streamline purchasing and inventory processes, reduce manual tasks and eliminate the need to juggle multiple systems or paper-based records. Independent retail pharmacies should be able to better navigate the complexities of the pharmaceutical industry, while playing an important part in servicing the healthcare needs of their community. SureCost gives pharmacies time and money back so that they can do just that.

[Book a Demo](#)

Let's talk.

Book a 30-minute introductory meeting today.



CITATIONS

1. Texas Tech University School of Pharmacy study
2. Texas Tech University School of Pharmacy study
3. McKinsey
4. Deloitte