

Amerisourcebergen Challenge

Can small independent pharmacies compete with the big chains?

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The way that independent pharmacies are able to compete with big chains is from their front-end sales. There are some products and categories of products in particular that are crucial for these small companies to have in stock to generate revenue. This is due to the popularity of some items and the profitability of others. These items are necessary for small independent pharmacies to have if they want to be able to compete with larger pharmaceutical companies. Based on the point-of-sales transactions of independent pharmacies with sales dates from 2016-01-01 through 2016-06-30, the specific products that a pharmacy should always have in stock and product categories that are not generating sufficient revenue and therefore should not be carried can be determined.

As shown in the infographic, the ten products that are sold in highest *quantities* highly exceed the average quantity sold per item, 21.1 items. These particular products have total quantities sold that range from 4,000 to 31,000 items sold, thus bringing in more money than the average product. Furthermore, the ten items that generate the most sales in dollar amounts for independent pharmacies outweigh the average profit per item, \$199.75. Money orders, the item generating the most sales, generated \$790,000 in profit over this six month period, which is almost 4,000 times the average profit per item. Specific items that are profitable *and* popular and are therefore the most important, revenue generating items for independent pharmacies to carry are money orders, durable medical equipment, candy, cards, and vitamins/supplements.

Separated by major categories, this chart displays the total generated revenue of \$8,674,938.68 and the percent of category sales in the past 6 months which is based on the point-of-sales transaction. Concurrently, the five major categories that generate the least *revenue* are edibles, beauty products, diabetes, miscellaneous items, and photos. The category of edibles has a total revenue of \$343,964.94, only 3.94% of total sales for the period. Beauty products made \$314,586.61, 3.68% of total sales for the period. Diabetes has a total revenue of \$98,912.57, only 1.14% of total sales. Miscellaneous has total sales amount of \$21,323.52, which was only 0.25% of sales; Photo only made \$9,400.46 which was 0.11% of sales.

Separated by major categories, this chart displays the total quantity sold of 1,131,967 and the percentage of category sales in the past 6 months based on the point-of-sales transaction. The five major categories with the least *quantity sold* are personal care, beauty, diabetes, photos, and miscellaneous items. Personal care sold 82,518 items, 7.29% of the total sales quantity. Beauty products sold 47,448 items, which is 4.19% of the total items sold for the period. Diabetes sold 11,147 items, which is 0.98% of the total sales quantity. Photo sold only 2,767 which is only 0.24% of total sales quantity. Miscellaneous sold 2,639 which is only 0.23% of total sales quantity.

Although edibles did not generate a lot of revenue at just 3.94% of total sales amount, it is the second most sold major category at 16.08% of total sales quantity. Therefore, it still should be carried because it is bought frequently. Frequently sold products should remain in stock because the independent pharmacies may lose customers that buy those items. To conclude, the major categories of products that should not be carried by independent pharmacies because they are less popular and less profitable are beauty, diabetes, miscellaneous, and photo products.

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Overall, independent pharmacies compete with big chains by the revenue generated from front-end sales. The products that an independent pharmacy should always have in stock and major category products that they should consider not carrying are identified in the charts.