The importance of losing control in order to gain control
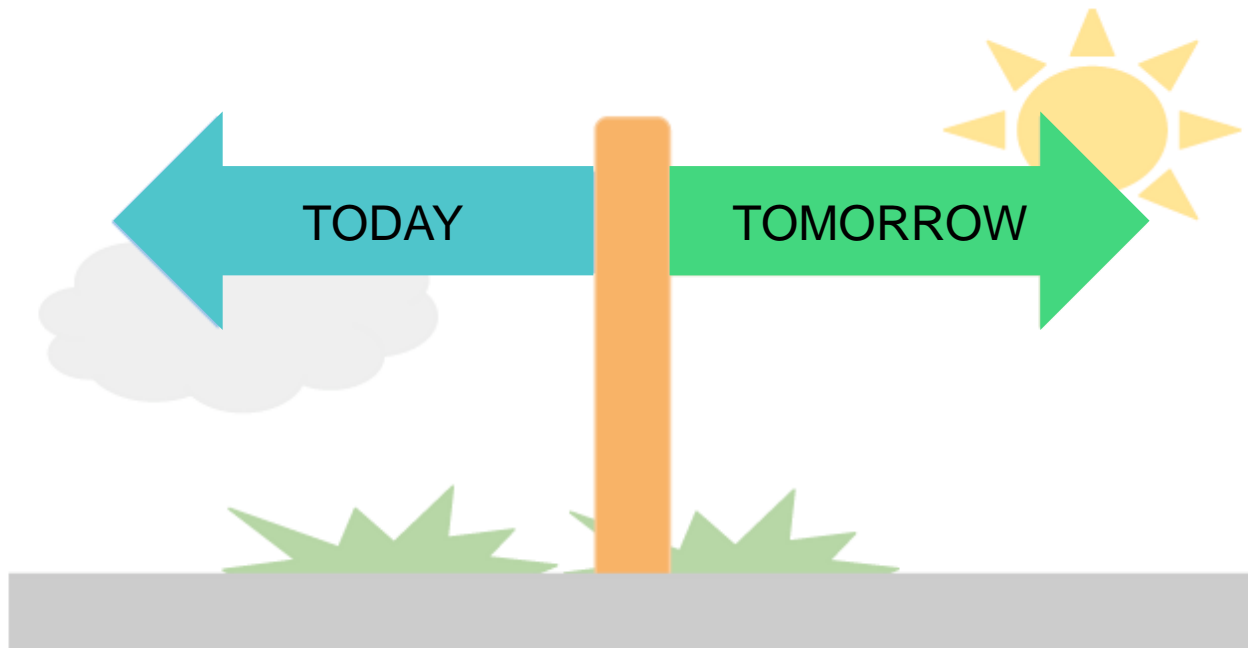
Kronans Apotek's journey to fully centralized inventory management

Imagine that you go to work everyday knowing exactly what to do

- ♛ Monitor customer demand
- ♛ Adjust parameter settings
- ♛ Know your regular customers
- ♛ Stand up to local competition

Then one day someone tells you to stop!

TODAY

TOMORROW

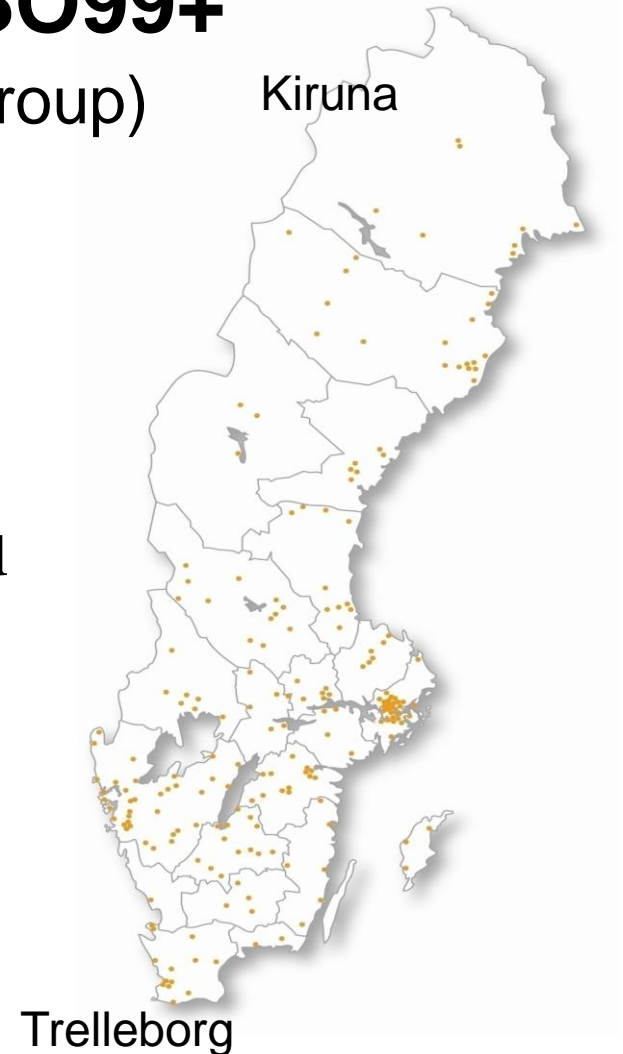# What do you need to trust a system to do your work?

Understand what you can achieve in the future ➡ Clearly communicated project goals

Understand what decisions you can influence ➡ Clear message to centralize fully from the start

Understand how you can influence ➡ Close communication with regional functions

Understand what's in it for me ➡ More time for the customers, less administration

Understand how the system works on a relevant level ➡ Information and demos given to different stakeholders

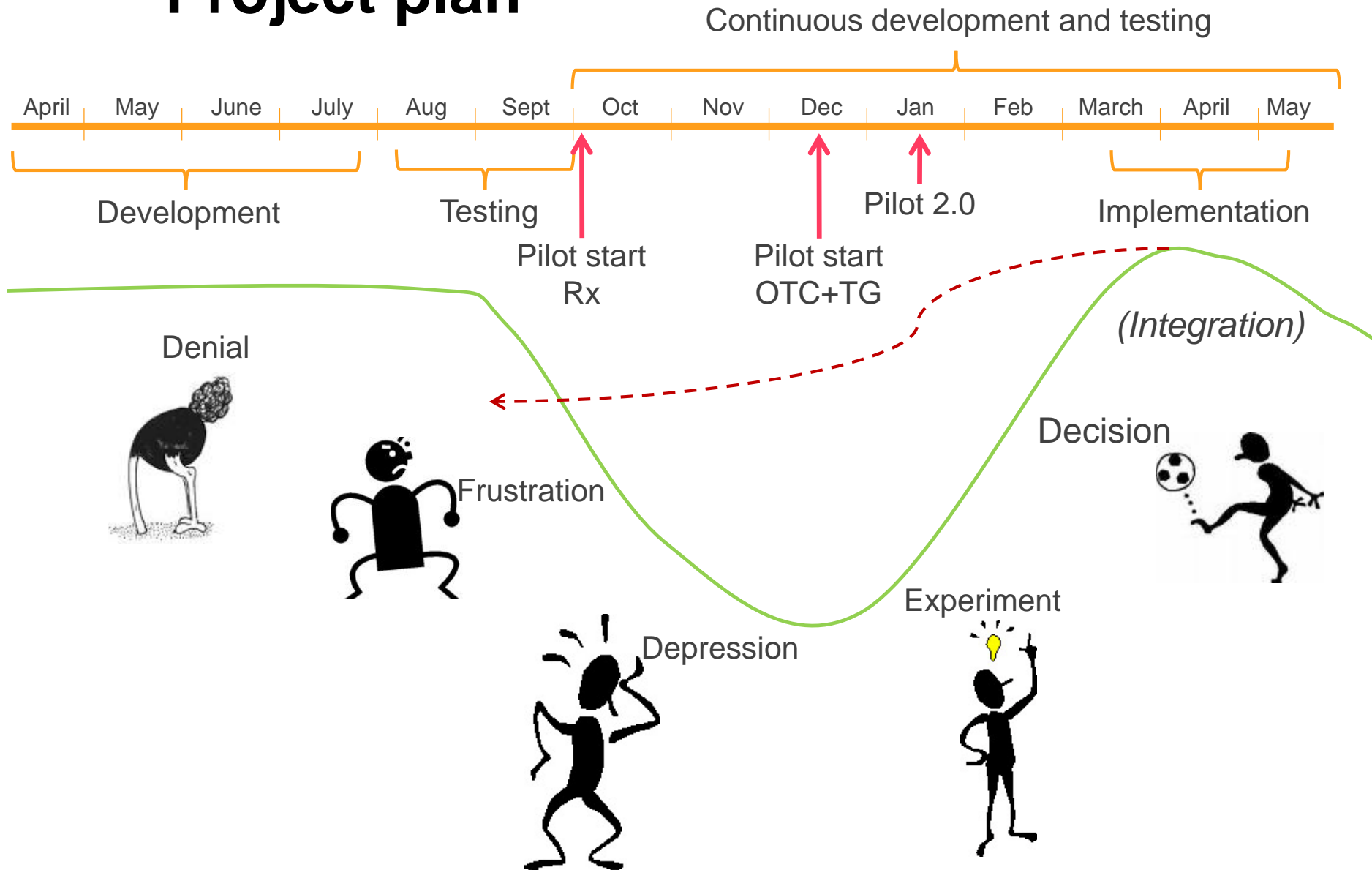Understand how the system works in reality ➡ Two pilot phases with in total 20 pharmacies

APOTEK

Kronans Apotek chose SO99+

Service Optimizer 99+% (Tools Group)

- ♛ Flexibility to create our own solutions based on our market and our needs
  - ♛ Important due to combination of retail and regulations

- ♛ Optimizes each product on each sales entity, by balancing inventory value and service level
  - ♛ Important due to the wide variety of sales entities, health centers – shopping malls

- ♛ Parameters are sent to business system
  - ♛ No change for pharmacies and wholesalers

Kiruna

Trelleborg

♛ APOTEK

Project plan

Continuous development and testing

| April | May | June | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | March | April | May |

Development

Testing

Pilot start Rx

Pilot start OTC+TG

Pilot 2.0

Implementation

Denial

Frustration

Depression

Experiment

Decision

(Integration)

Our journey has just begun

- The real challenge was not implementing a system, but to enable people to let go of control

- Let's look at what questions needed answers to make the move from local to centralized inventory management

APOTEK

The importance of planograms

- Q: We know what our customers want so we usually display some products in more places than what is in our planograms. How do we make sure we have enough volumes to fill up the extra displays?

- A: It is crucial that planograms are followed since SO99 is calculating the parameters based on the visual minimum, expected sales and lead time to next delivery.

APOTEK

Campaigns

♛ Q: How will the volumes to fill up the campaign displays be secured?

♛ A: Depending on the pharmacy's campaign size the campaign products will be supplied in time for the campaign start by a temporary increase in minimum parameters. This increase will be removed one week before the campaign ends allowing the volumes to sell down. SO99 can learn from previous campaigns and also exclude the temporary increase from future forecasts.

Seasons

- Q: Sweden is a long country and the seasons don't start at the same time, how will the system know when allergy season starts in different parts of the country?

- A: We have added a season code to classify the pharmacies according to where in the country they are located. We have also defined pharmacies that have their peaks during the summer or winter.

APOTEK

Essential presribed products

♛ Q: Some prescribed products are essential that pharmacies keep in store even if sales volumes are low. How can we secure that they are available?

♛ A: We are able to add a minimum service level to those products so that they will not go below that level when inventory is optimized considering both value and service level.

APOTEK

Products for specific customers

☛ Q: At my pharmacy we always make sure we have a certain product in store for a specific customer, can we keep this up?

☛ A: We have created a logic in the system that will, based on the rules set up, decide what will be kept in store and what will not. It is depending on how many times the product is sold during a certain time period.

APOTEK

Generic substitution

- Q: The generic substitution is regulated and has to be complied with. Every month a generic product is choosen and has to be offered as a substitute to the original prescribed. How can a system handle generic substitution?

- A: We have created substitution groups where the group itself get parameters and the groups demand will automatically be allocated to the substitution product and to other specific products within the group.

APOTEK

Customer patterns

- Q: At my pharmacy we have a customer who always picks up four packages at once, how will the system know that?

- A: As long as the customer pattern is clear enough SO99 will learn that four packages should be kept in store.
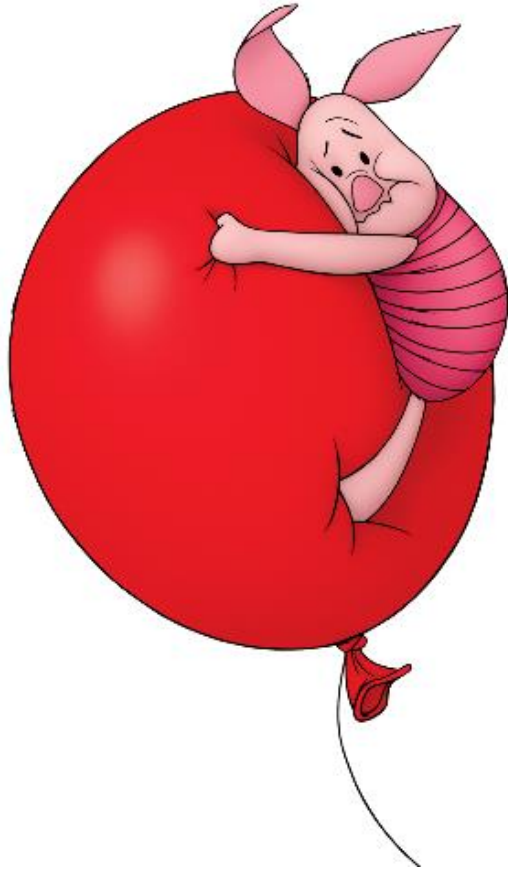
APOTEK

Missed sales

- Q: If a customer asks for a product that we don't have, how will the system know that there is a demand?

- A: In our business system we can add "missed sales" and this will be added to the actual sales transactions when the demand is calculated.
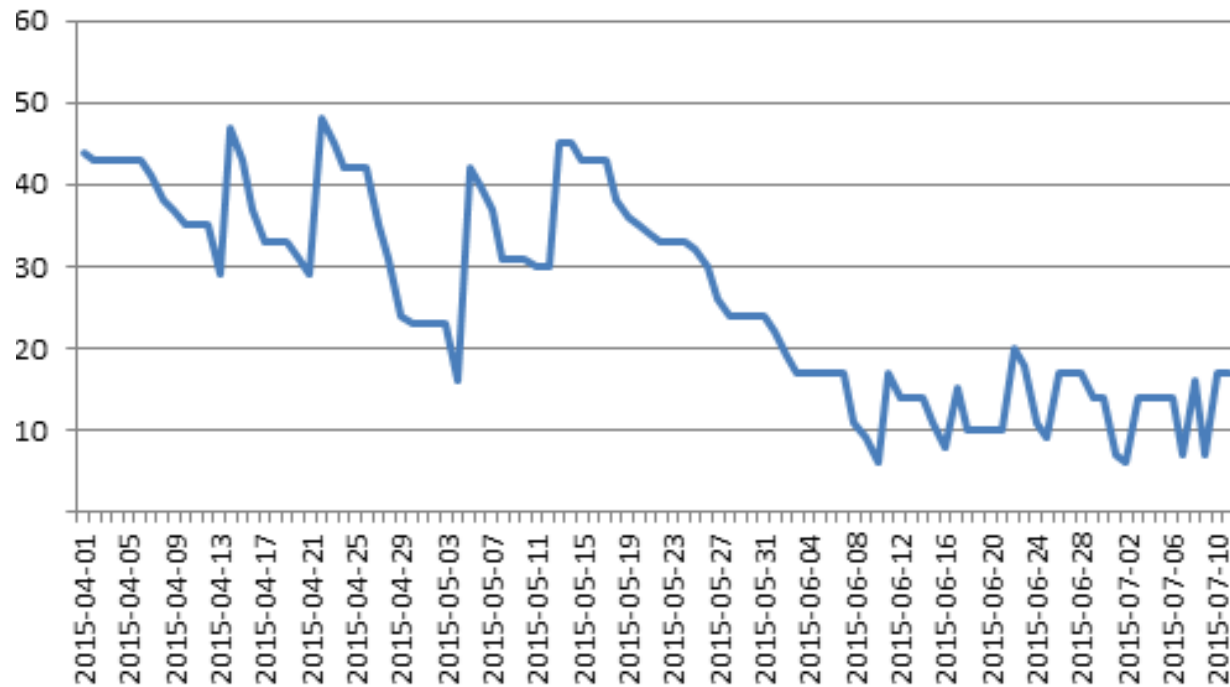
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You can trust the system when the system can trust you
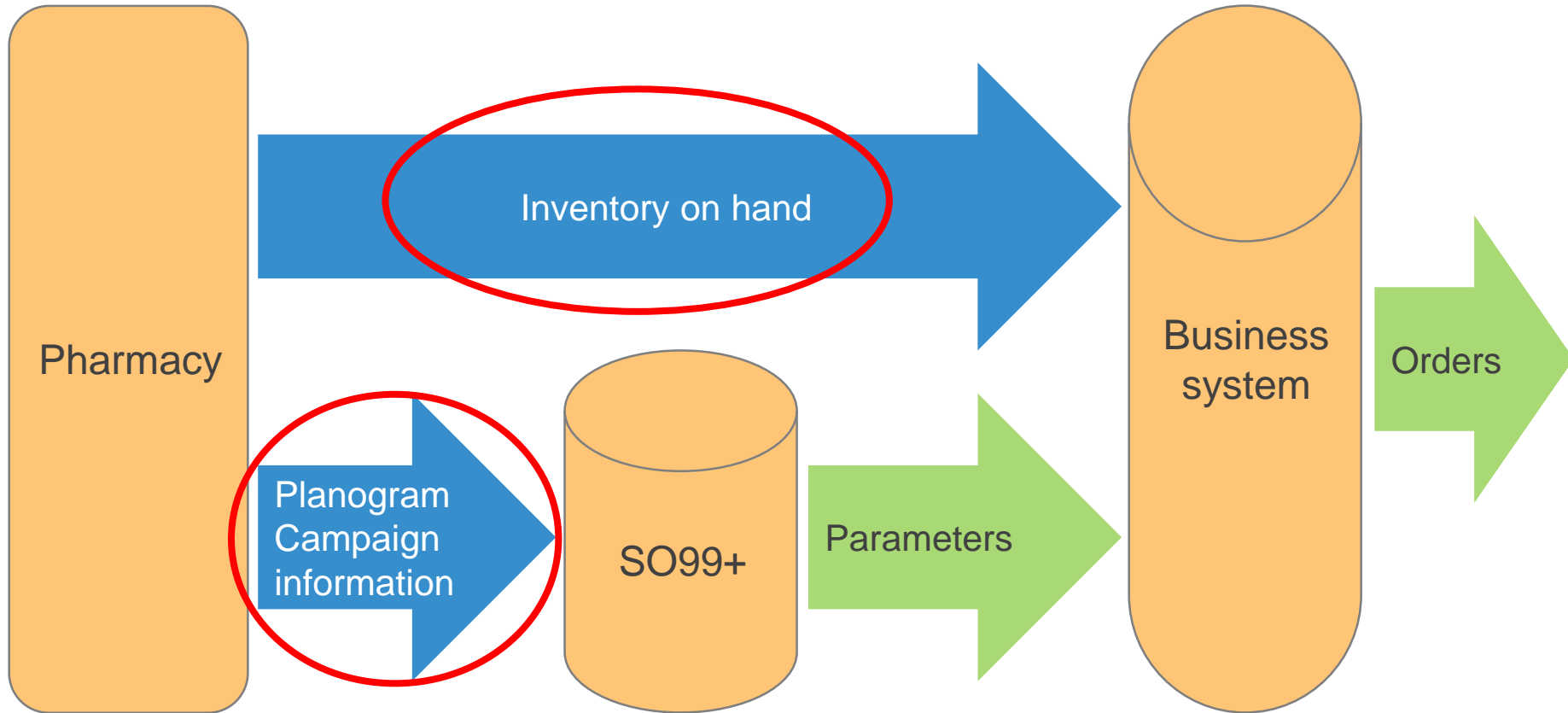
Did we manage to lose control in order to gain control?

What happens when you let the system work?

Where are we now?

- The implementation was a great success
  - Inventory value is down and service level is up
  - 3 people are working centrally with supplying products to 304 pharmacies
- Continuous development of new functionality
- Simulations and live testing to find possibilities for further improvements
- Going from reactive support to proactive actions

APOTEK

Lessons learned

- Early information to stakeholders and a long pilot phase was essential to get commitment

- Clear statement from the start regarding centralized inventory management made the discussions solution focused

- Flexibility in the system as well as great support from Optilon enabled a customized solution

- Change management has to be ongoing long after the implementation is complete

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