

COMMUNITY PHARMACY MANAGEMENT



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Management of Community Pharmacy

Community Pharmacy is the place where most pharmacists practice the profession of pharmacy.

It consists of a retail store front with a dispensary where medicines are stored and dispensed.

Functions of Community Pharmacy:

- Providing health information to patient and public
- Prescription handling
- Patient counselling
- Patient medication record
- Pharmacy administration
- Compounding

Layout Design of an Ideal Community Pharmacy

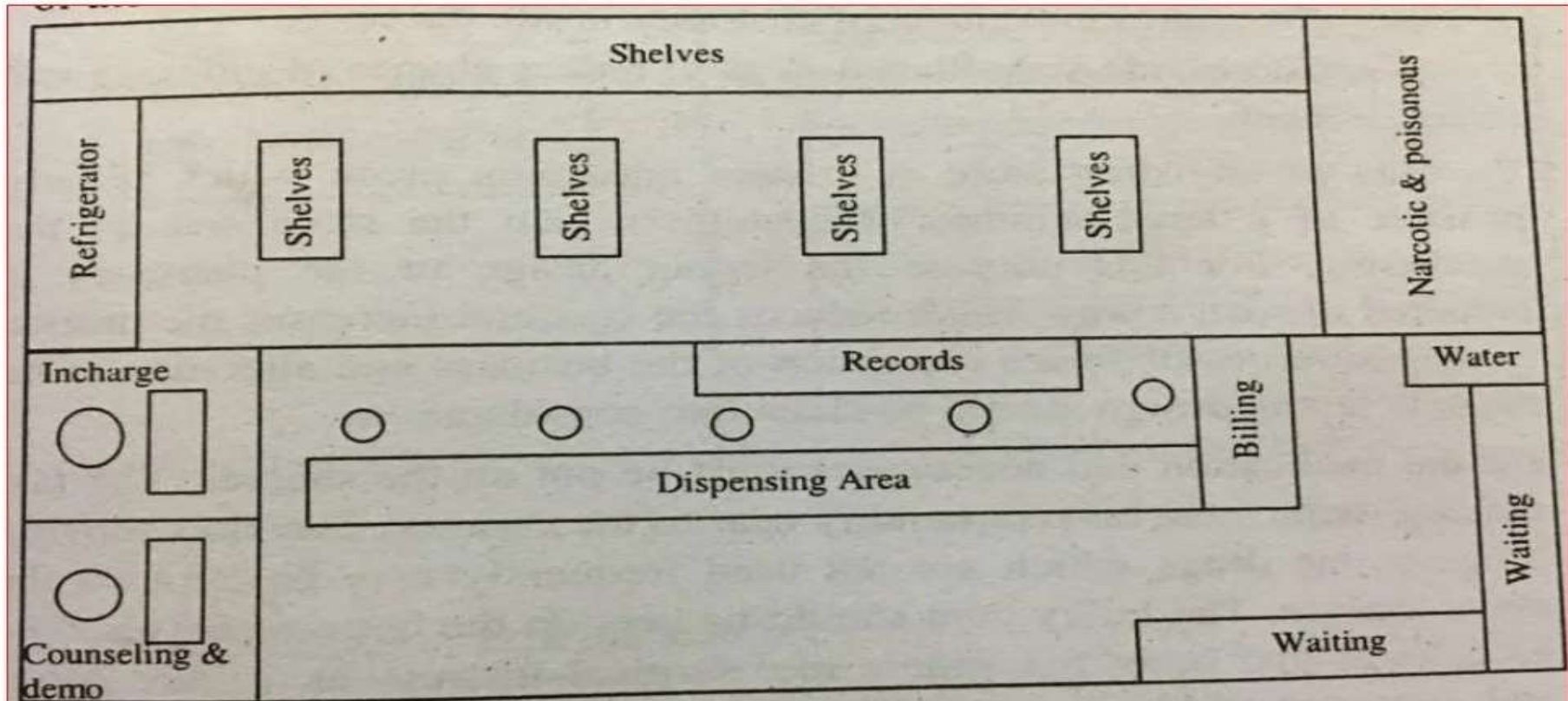


Fig: Layout Design of an Ideal Community Pharmacy

LOCATION ANALYSIS FOR A COMMUNITY PHARMACY

- **Location analysis is the selection of an appropriate site for the establishment of a community pharmacy. It is an important step in the establishment of a community pharmacy.**
- **Good Location determines the access to the public and success rate of the pharmacy whereas a poor location may cause failure of the pharmacy.**

For location analysis before establishing a community pharmacy following points should be considered:

- **Population of the community**
- **Income distribution among the population**
- **Type of pharmacy**
- **Competition**
- **Flow of traffic**
- **Special service and customer type**
- **Business locality**

The location of a good community pharmacy should attract number of customers. Location can be classified into two ways:

1. Geographical Location

- i. Urban area:** The population in urban area is higher having thick population residential area and meeting place. Hence higher investment is required for pharmacy setup.
- ii. Rural area:** The population in rural area is fewer as compared to urban area. It requires lesser investment. The location should be at the market area where people come for marketing, physicians visit or buy medicines.

2. Functional Location

- i. Suscipient location:** Pharmacy are located at special places where customers visit by chance usually away from home. E.g: drug stores at airport, hotels or resorts, etc.
- ii. Interceptive location:** Pharmacy located on the way to shopping centre towards business houses usually for business purposes. E.g near office buildings

The major factors responsible for location analysis:

1. Transport facility for raw materials, labour and products
2. Larger labour supply
3. Electricity and safe drinking water facility
4. Banking and Financial Institution
5. Availability of sources of raw materials
6. Larger market
7. Recreation facility
8. University, Colleges, School, Hospital & Research Centres
9. Co-operative & helpful community
10. Good industrial Laboratories

Establishing and Financing a Community Pharmacy

Financing is required to set up a new community pharmacy in order to maintain the medicines stock and cover the expenses.



Purpose of Finance:

- To purchase land, building, machinery and equipment.
- To purchase raw materials and other materials.
- To pay salaries, wages and incidental charges.
- To maintain stock and supply products.

Types of finance:

1. **Equity Finance/capital:** Fixed/Tangible assets that are free from financial obligation or debts.
2. **Burrowed Finance/capital:** Assets that are taken as loan from banks or other sources.



Sources of Finance:

• Owned finance

The capital is generated by owner, partner or shareholders. As long as business run it remains and surplus is returned to the shareholders.

• Loan (Burrowed) Finance

The capital is generated from bank or other financial institutions. Interest is paid periodically at a fixed rate and then payment of loan capital. Loan can be obtained against mortgage or pledge of the property.

Capital is the wealth or asset used in a business enterprise to produce income. Different types of capital are cash, bank deposit, property, etc.



Types of capital:

- 1. Working capital:** It includes cash on hand, inventories, marketable securities, etc.
- 2. Fixed capital:** It includes properties like land, building, plant, machinery, etc.

Risk Management & Insurance

Risk is the possibility of losing something of value. Values (such as physical health, social status, emotional well-being, or financial wealth) can be gained or lost when taking risk.



Types of risks:

- **Market Risk:** Risk due to changing market or economic conditions is known as market risk.
- **Exogenous Risk:** Risk due to external factors like wind storm, flood, earthquake, etc is known as exogenous risk.

RISK MANAGEMENT

Community Pharmacies have an inventory worth of Rupees Two lakhs or more. Establishing a pharmacy has risk of fire, theft, natural disasters, etc. So, risk management of community pharmacies is important in order to avoid possible risks.

Common methods of risk management:

Avoiding Risk: Avoiding risk means not to choose any activity that is risky. E.g: your friend choose not to drive and you choose not to ride to avoid risk.

Reducing risk: Reducing risk means lowering the severity of loss or likelihood of loss occurring. E.g: Installing smoke detectors in your home or school reduces the risk of fire damage.

Accepting risk: Accepting risk means taking risk of loss where the cost of insuring against risk would be greater over time than the total losses sustained. E.g: If your motorcycle manual recommends changing oil every 1000 km but you change after 1500 km, there is small risk but may not cause severe loss.

Transferring risk: Transferring risk means buying insurance. Insurance policy you purchase by paying premium protects you from catastrophic loss. E.g: Buying insurance for your motorcycle even though not required is a smart investment.

- **INSURANCE** is a means of protection from financial loss. It is a form of risk management, primarily used against the risk of uncertain loss.
- Insurance business is based on law of probability.
- The basic principle is that insured party or person pays certain amount of money or instalment known as premium for a certain amount that covers various types of risks.
- If the event runs smoothly the party gets its money with interest back but if event occurs, insurance company will give the total insured amount back.

Types of Insurance:



- **Life insurance:** Life insurance covers the risk of death of a person by various risks such as accident, disease, etc.
- **General Insurance:** General insurance deals with movable and immovable assets. It provides risk cover to immovable assets (houses, shops, factories) and movable assets (goods stored in shop, godowns, goods stored in transit, vehicles), etc.

Advantages of Insurance:

- Insurance provides protection against risk of loss.
- Insurance makes business secured, stable and risk free.
- Insurance provides financial assistance in case of an event occurs or if the term expires.
- Insurance companies mobilize savings of the public.
- Under life insurance loan can be obtained on the basis of paid up value of the policy.
- Insurance generates employment opportunities.

Purchasing and Inventory Control

Purchasing is the process of buying the right quality, quantity of drug at right time and at right price. Good purchasing is very essential to make the community pharmacy a success.

The principle of purchasing states that: “You buy yourself poor and sell yourself rich”



Purchasing Procedure

- **Purchase Requisition:** The list of products to be purchased is made based on the product flow and patient request.
- **Selection of the Supplier:** The right source is selected based on the quality and economic values.
- **Placing Order:** After requisition slip and supplier selection, the order is placed in the desired date and time.
- **Receiving and Checking Materials:** The products received should be properly checked and verified for the condition and quantity of the products received.
- **Checking of Invoice and Bills:** The invoice and bills of the products received should be checked and verified for quantity and billing amounts.
- **Recording of Bills:** Proper record keeping of all the bills should be done for future use and audit purpose.
- **Releasing the payment to the supplier**

Methods of Purchasing Pharmaceutical products

- **Purchasing by requirement:** Products are purchased when necessary and in exact quantities required.
- **Purchasing for specified future period:** Products are purchased for a limited time in contract basis.
- **Purchasing from favourable market:** Products are purchased when market is favourable or when products are available at low price.
- **Speculative purchasing:** Products are purchased when price of the product goes down and sold when price rises. Surplus (additional) quantity is purchased to get more profit.
- **Contract purchasing:** Products are purchased by direct contact and ensures continuous supply of the products. Contract purchase has a fixed delivery date and price.
- **Purchasing small items in groups:** Products are purchased in small quantities when required. It saves larger expenses.
- **Scheduled purchasing:** Products are purchased in a predetermined schedule or date. In this method suppliers keep the stock ready required by the buyers for a future date.

Objectives of purchasing:

- Consistent supply of the materials
- Maintaining standards of quality
- Avoidance of duplication, wastage, etc.
- Maintenance of buyer-supplier relation
- Proper record keeping

INVENTORY CONTROL



‘Inventory control’ or ‘stock control’ is the activity of checking stock of the community pharmacy.

Inventory Management System is a technique which helps to determine how much stock to hold, when to place order and how many quantity to order for smooth operation of a Community Pharmacy.



Tools of Inventory Management System

1. Economic Order Quantity (EOQ) Technique

It is the appropriate quantity for purchasing in each lot where the total cost of holding inventory is always minimum.

The equation is:

$$EOQ = \frac{\sqrt{2AO}}{C}$$

A= Annual requirement of product

O= Ordering cost per order

C= Carrying cost per unit

2. ABC Analysis

In this method purchasing is done according to the value and volume of the products. Products are divided into three categories A, B & C categories on the basis of cost and number of items.

A	Few items which are very costly
B	Some items that are moderately costly
C	Large items that are less costly

3. Red Line Method

It is similar to two-bin method. In this method a line is drawn inside bin at the level of re-order and an inventory order is placed when the red line shows. After every withdrawals, they are recorded by the computer and inventory balance is revised.

4. Mini Max System

It is one of the oldest methods where maximum and minimum levels of inventory is set. Maximum level includes safety stock and minimum levels include re-order point. Inventory levels should fall within these two limits.

Benefits of Inventory Control:

- Maximum customer services
- Minimum inventory investment
- Low cost plant operation
- To reduce the wastage and surplus

THANK YOU