

Inventory Tips, Tricks, & Benchmarks

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Evaluating income as a total revenue percentage, noting cost of goods (COGs) as a total revenue percentage for each inventory category, and comparing those values to existing guidelines can help determine if changes need to be made in inventory costs or fees.

TABLE **1** | **Income as a Percent of Total Revenue***

Service	Percent of Revenue
Lab Services	15.0-18.8%
Radiology and Imaging	4.0-6.0%
Pharmacy	21-24%
Flea/Tick/Heartworm	7.9%
Food	2.0-4.2%
Over-the-Counter	1.0-5.5%
Online Pharmacy	Usually a minimal percentage, but practices should track the numbers to be aware of online pharmacy use and whether it is increasing.

TABLE **2** | **COGs as a Percent of Total Revenue***

Goods	Percent of Revenue
Drugs & Medical Supplies	7.3-12.7%
Lab & Imaging	0.6-1.4%
Food	0.2-0.3%
Flea/Tick/Heartworm	3.9%
Total COGs	18.0-23.0%

**Numbers listed in tables are derived from the listed resources and from the author's personal experience.*

TABLE
3 | **Income-to-Expense Ratios***

Expense Type	Income-to-Expense Ratio
Food	1.5:1
Labs	4.5-6.5:1
Pharmacy	3.0-4.0:1
Over-the-Counter	2.5:1

Remove designer drugs, cremation services, and food before calculating these ratios.

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Tips & Tricks

- Charge more for controlled drugs because of the cost of additional tracking.
- Be sure to review the practice's methods for determining fees and frequently update the practice management system to reflect changes to markups and other pricing structures.
- Ensure office supplies and household-type items are not included in the total COGs.
- Because storage time costs money, aim for 12 to 16 turns per year.
- To establish the income-to-expense ratio based on specific practice numbers, evaluate data from the profit centers and the COGs in relationship to each other.
- Find a supply vendor who offers ABC analysis service, or seek assistance for calculating and interpreting numbers from practice management software.