

INTEGRATION OF CATEGORY MANAGEMENT INTO PHARMACY OPERATIONS

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Резюме

У цій статті розкрито як завдяки впровадженню категорійного менеджменту в аптечну діяльність створити збалансований асортимент фармацевтичної та медичної продукції, що відповідно дозволяє скоротити повільні оборотні запаси, оптимізувати рівень запасів і підвищити рентабельність продажів.

Ключові слова: інтеграція, категорійний менеджмент, аптека, операції.

Summary

This article reveals how to create a balanced assortment of pharmaceutical and medical products thanks to the introduction of category management in pharmacy operations, which, accordingly, allows you to reduce slow-moving stocks, optimize the level of stocks and increase the profitability of sales.

Keywords: *integration, category management, pharmacy, operations.*

Introduction: Pharmacies are continually striving to enhance their trade operations and boost profitability by aligning closely with consumer needs. Achieving these objectives often involves reevaluating inventory management practices. Deciding to depart from traditional retail cycles can be a challenging task, raising numerous questions about making sound managerial choices. Many of these questions find answers through the application of category management. Category management views inventory not merely as individual product items but as specific categories or groups of products. It involves implementing strategies aimed at enhancing profitability metrics and streamlining product assortment within these categories. As a result, the issue of adopting category management principles for the selection of products in pharmacy establishments remains highly pertinent.

Goal: integration of category management into pharmacy operations.

Materials and methods: category management.

Results and their discussion: Initially, category management developed as an effective direction of merchandising, which includes the management of product groups when they appear in the area of direct contact with the product. However, the promising concept quickly turned into merchandising and evolved into another technology – business unit management. The modern concept of category management consists in the optimization of all operations related to each product group: determination of needs, organization of stocks, pricing, presentation in the sales hall, marketing activities [1, 3].

The key idea of category management is the organization of complex sales, when one product contributes to the sale of another without involving additional investments.

It should be understood that if cosmetics for face care are placed at one end of the sales hall, and at the other – cotton napkins and gauze napkins for using cosmetics or there are none at all, then this is unlikely to increase the number of complex purchases with such an arrangement of goods. It follows that the main characteristic of the development of pharmacy product categories should be the growth of sales and profit [2].

In the development of modern category management, the following reasons can be identified that forced retail pharmacies to transform the approach to pharmacy assortment management:

- increased competition, oversaturation of the retail pharmaceutical market by commercial enterprises;
- decrease in the amount of profit from the sale of pharmacy products;
- increase in the share of costs from retail sales;
- individual and demanding approach to clients;
- emergence of new forms of pharmacy trade (free display of goods in the sales hall, online pharmacy);
- rapid growth in the use of information technologies by pharmaceutical market players.

A person responsible for the management of a product category is appointed – a category manager who is looking for ways to optimize his work: to reduce costs for the promotion of goods from the manufacturer to the consumer, to increase profit from sales. Category managers always know the trends of the given category; they have the opportunity to monitor the emergence of new products and implement new technologies; quickly react to the actions of suppliers and competitors, etc. [20].

After that, the main principles were considered of creating product categories. When choosing methods of product classification, a pharmacy category management specialist must answer the following questions: what is logical for the consumer of pharmacy products; what are the functional and practical advantages for the consumer; what is the factor of consumer preferences; at the expense of whom the added value is realized; which characteristics best meet the goals of pharmacy sales.

To determine the optimal nomenclature of product categories when building a pharmacy assortment, it is necessary to consider various characteristics and their combination, as well as the rules for combining products in a category, namely:

- goods of the same category should make up the most compatible combinations from the point of view of consumers who want to satisfy a group of their needs;
- combinations of pharmacy goods should consider the interests of the pharmacy institution as a business entity that wants to use the effect of related purchases to increase income [1].

The choice of a key feature of classification is an important and responsible stage on the way of implementing a category management system. The specificity, composition and structure of the categories depend on the indications used in the classification of pharmacy products by medical categories. For example, in the classification of the assortment of pharmacy goods, the satisfaction of certain needs may be in the first place. However, to create an optimal assortment, it is not enough to

use only one classification feature, it is advisable to use several features and their combination. Since the process of creating product categories involves a lot of work, it is advisable to consistently divide the structure of the pharmacy assortment from general to specific. As a rule, it is impossible to get a real picture of a product category at the first or second level of classification. But by continuing to break down the product groups formed by the most common features into smaller and smaller subgroups, the best classification characteristics can be found that meet the goals and objectives of category management. The process of category management encompasses the following stages: defining categories and their internal structure, along with guidelines for classifying pharmaceutical products (e.g., distinguishing between medicinal and non-medicinal products, using ATC classification, etc.); creating key metrics for category analysis, such as sales volume, the number of product names, and the profit margin for the drug group, among others; determining the role of each category in alignment with its impact on achieving pharmacy objectives; examining the demand and internal composition of each brand name category. This includes assessing the current state and structure of the category and identifying potential changes during subsequent selection processes; streamlining the entire process of goods movement by category, from procurement and inventory management to direct sales; formulating a well-defined selection policy and periodically adjusting it based on market dynamics.

The use of category management helps to predict and maintain many positions without the need to remember the product name (for example, in the case that the drug temporarily left the market due to the expiration of the registration period). When this item is in stock at the supplier, it is automatically ordered and delivered to the appropriate retail unit. If the category manager receives information that the product has already been discontinued, it will be removed from the product catalogue. If we are talking about the temporary absence of goods, then the automatic order checks the suppliers for their availability every day.

The category management manager works closely with the purchasing department. Despite the fact that the delivery function is purely technical and the order is generated automatically, the main task of the purchasing department is to deliver a specific product on time, in the right quantity and to the right place. Selection of the best price and supplier, document flow system, invoicing, calculation and input of product price - all these processes occur automatically.

With the help of category management, the researched pharmacy achieved the stability of target indicators regarding product scales, selection and availability of the desired product on the shelf. The management avoided the influence of the subjective factor by optimizing and automating the processes of selection management. This ensures quick and efficient process management and necessary adjustments. Specialists of the investigated pharmacy constantly analyze the state of the assortment, turnover, stability, availability of goods on the shelves, the level of refusals and losses, the quality of work of suppliers, availability of the necessary assortment at the distributor, etc. Constant analysis of these indicators allows to gradually improve the work of the institution and increase profits.

Seasonality, local preferences, problems with the supply of certain goods indicate that today there are many factors that affect the market in unpredictable ways. Of course, it is impossible to predict them. Accordingly, it is impossible to avoid a product shortage by 100%, but it can be minimized with the help of effective assortment management. For this, a system should be developed that minimizes the loss of the product range.

The most important thing is not to stop at what you have achieved and to constantly improve. It is worth noting that the external environment is changing rapidly - the standards that were used earlier are changing, the saturation of the retail pharmaceutical market is increasing, and the needs of consumers are growing. You no longer need a pharmacy in the traditional sense. When buying, in addition to high-quality drugs sold at a favorable price, the consumer expects from the pharmacy a convenient sales hall with well-thought-out navigation, as well as proper service.

Conclusions:

1. The latest category management technology empowers businesses to curate an ideal product assortment for each category. It facilitates the development of a suitable pricing strategy and merchandising plan that considers pharmacy-specific factors such as location, served population, operational profile, and financial capabilities. The categorization of products contributes significantly to enhancing the training of pharmacy staff. It equips them with vital knowledge about the "features - advantages - benefits" of products essential for providing top-notch service to pharmacy customers. Category management represents an opportunity for manufacturers, suppliers, and pharmacies to engage in more collaborative and mutually beneficial partnerships.

2. An algorithm for implementing category management in pharmacy operations has been devised. The introduction of category management into pharmacy operations has been shown to offer opportunities for achieving a balanced selection of pharmaceutical and medical products. This leads to a reduction in the number of slow-moving product items, optimization of inventory levels, and an increase in sales profitability.

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