

BASIC BUSINESS SKILLS FOR ADS OWNERS

ADS Business Manual

Module 5: Business Management



Table of Contents

MODULE 5: BUSINESS MANAGEMENT	3
SESSION 1: COSTING AND PRICING.....	3
SESSION 2: BUYING, RECEIVING, AND TRANSPORTING MEDICINES	5
SESSION 3: STOCK MANAGEMENT.....	8
SESSION 4: MARKETING AND CUSTOMER CARE	12
SESSION 5: BUSINESS LEADERSHIP AND ETHICS.....	15
SESSION 6: PEOPLE MANAGEMENT	16

Module 5: Business Management

Session 1: Costing and Pricing

Introduction of Key Concepts and Discussion

Business Costing and Pricing

Business costing establishes a selling price that is informed by how much you spend on running your business. This is important because it helps the business to determine the price at which to sell in order to make a profit. You can only know whether you are making a profit, or a loss, if you know how much you spend on the business. There are two types of costs: fixed costs and variable costs. One of the most common fixed costs is rent. Variable costs include the cost of stock and labour.

- ✚ How does an ADS business determine at what price to sell?
- ✚ What factors are considered in the pricing of a tablet of Panadol?

The simplest method of costing is called “cost plus.” This means adding a percentage to the cost, to get a selling price.

Pricing

Pricing means determining the price at which to sell. A business will always want to make a profit. Pricing therefore means adding an extra amount of money to the cost price, to get the selling price. The difference between the cost price and the selling price is the profit.

In the example below, Afya Bora Drug shop has its cost per tablet as 50 shillings. Using the simple formula of cost plus, the business owner can add 30 shillings and sell each tablet at 80 shillings. She/he may add 50 shillings and sell each tablet at 100 shillings.

One important thing to consider in setting the selling price is to assume that the buying price will have increased when you go to buy again. This means that if the cost of one tablet was 30 shillings in August and you plan to buy stock again in October, you will need to plan on your cost being higher then.



Example: Afya Bora Drug Shop had the following costs for the month of August 2013:

Cost Area	Unit Price (Ugx)
Stock	1,000,000
Rent	100,000
Salaries	300,000
Transport	50,000
Miscellaneous expenses	50,000
Total	1,500,000

To get the cost of each tablet, we count all the tablets, divided by the total cost.

Assuming the total number of tablets in stock is 30,000. We divide 1,500,000 by 30,000 to get the cost of each tablet.

$$1,500,000/30,000=50$$

The cost of each tablet is 50 shillings.

- ✚ Costing is the way you calculate how much each individual product costs you to produce and sell.
- ✚ Pricing means deciding on the price that you charge for your products.
- ✚ Your price is determined by all the costs involved in producing and selling the product.
- ✚ If you sell your product for a price that is higher than the costs to make and sell your product, then you are make a profit.
- ✚ If you sell your product for a price that is lower than your costs, then you are sell at a loss.
- ✚ Price is determined by the following factors:
 - The cost price of each product.
 - The desired profit.
 - The price other people are selling the same product for.
 - The maximum price people are prepared to pay.
 - The price determined by the market.

Session 2: Buying, Receiving, and Transporting Medicines

Buying Medicines

In the introductory module for this course, we noted that the ADS business is a unique type of business because it involves saving lives. This means that medicines cannot be purchased from any source. They must not be transported in any way you find cheap and easy. They must not be handled in any way that you find okay with you. The focus of this session is on the key things you need to learn and master when it comes to buying, receiving, and transporting medicines.

Who are your suppliers?

It is more profitable to purchase your supplies from the nearest wholesale pharmacy or a drug manufacturer. The pharmacy must be licensed and authorized by the National Drug Authority. If there is no licensed pharmacy in your locality, you will have to travel to the nearest town where you can buy medicines from a wholesale pharmacy. Most pharmacies do both wholesale and retail. Don't make the mistake of buying from the retail counter, which will be much more expensive. It is more profitable to buy at the wholesale price.

Other factors to consider:

- ✚ What terms does the wholesaler offer?
- ✚ Do they offer credit terms?
- ✚ Do they offer transport or delivery?
- ✚ Do they prefer payment by cash, transfer, cheque, or mobile money?

These factors are important. A supplier who offers you credit terms is an asset to your business.

Where are your suppliers located?

The distance from your suppliers to your ADS is important. It determines how soon you can get your stock.

- ✚ If your supplier is nearby and always has stock, it means you don't have to tie up capital in slow moving medicines. You only stock the minimum necessary and buy from the wholesaler once your stock is getting low.
- ✚ If your supplier is far away or often does not have stock, it means you may have to tie up capital in slow moving medicines. You have to stock more than the minimum and be sure to buy ahead of time.

Receiving Medicines

- ✚ Many times, receipt of medicines will be done from the pharmacy where your medicines are purchased.
- ✚ On rare occasions, the medicines may be delivered by your supplier to the drug shop premises.

Receiving Medicines Checklist

When you receive medicines, do the following:

Check the quantity supplied on the invoice or receipt against the quantity ordered from the wholesaler.

Ensure that the quantity supplied equals the quantity ordered.

Check the medicine strength supplied against the one ordered.

Ensure that the strength supplied is the strength ordered.

Check the expiry date of the medicine delivered.

Reject medicines with short expiries.

Reject medicines that do not have an expiry date.

Check the packaging materials to make sure they are all intact.

Reject medicines whose packaging materials are not intact.

Check for the brands on the purchase list with those supplied.

Reject medicines that are not your preferred brand.

Transporting Medicines

While it is good practice to minimize costs of transport, sometimes it may be dangerous to transport medicines in a taxi boot or on the roof, mixed with other goods. Most wholesalers of medicines do have their sales vans, so it is advisable to buy from those wholesalers whose vans can deliver the medicines to your shop. If it is not possible, then make sure that when you use public transport, your medicines are carried in the most hygienic and safest way possible. If they are well packed, place them by your side, pay for the seat where you place them, instead of putting them in the boot. If your supplier is nearby, you can use a bicycle or a motorcycle to carry the cartons, but they must be covered to protect them from dust.

Factors to consider when buying and transporting medicines include the following:

How do you transport your medicines from the suppliers?

Transportation of goods by retailers in Uganda is not yet fully developed. Cargo is transported as luggage in passenger vehicles. While other goods can be transported in bus boots or on roof tops, medicines need special handling. They need protection from rain, sunshine, dust, excessive heat, humidity (wetness), and other harmful conditions.

Session 3: Stock Management

Stock management is a key operation for a drug shop. Stock management is the implementation stage of the procurement and supply plan, as well as the stock management plan. Remember that a business needs a plan to succeed and grow profitably. Medicines are delicate. They will save lives if stored well. They will kill people if poorly stored. Killing clients means killing your business as well. Therefore, a good ADS business person must know stock management.

Type of Medicines to Be Stocked

Drug shops stock the category of medicines called the over-the-counter (OTC) drugs. This means those medicines that do not need a doctor's prescription.

How Much of Each Type to Stock?

The quantity to stock of each medicine class or brand is determined by the rate of turn over: which ones move fast? Which ones move slowly? It is prudent to stock a maximum of the fast movers and a minimum of the slow movers. This has two advantages in the medicine business: one, you reduce the risk of medicines expiring while in stock, and two, you minimize the amount of capital tied up in stock. Money invested in stock is supposed to earn more money in the shortest time possible.

The FEFO Rule

The FEFO rule states: "First expiry, first out." In other words, the medicines that are first to expire must be the first to be sold. If you have two or more containers of a particular medicine to be dispensed to a customer, you should dispense the container whose expiry date is the soonest.

The FIFO Rule

The FIFO rule states: "First in, First out." Like the FEFO rule, it must be followed if you are to avoid having goods, especially medicines, which are so important and can be so expensive, expire. This means that when you have containers of a particular medicine that all have the same expiry date, you should sell those that were received and stocked first before those that were stocked later.

Example: Cofta that was stocked two weeks ago must be sold before Cofta that was stocked two days ago.

It becomes easy to follow this rule if the medicines are stocked and arranged according to their expiry dates. Medicines due to expire in December 2013, for example, must be placed before those due to expire in June 2014.

You may create a simple formula to follow in order to obey this rule. For example, it could be:

We stock from **left to right**, beginning with the latest date.

We sell or dispense from **right to left**, beginning with the oldest date.

What Is the Minimum Stock For Re-ordering?

A good ADS business must not run out of stock.

The simplest rule for not running out of stock is:

- ✚ 80% fill rate for the fastest moving medicines
- ✚ 60% for the next fastest
- ✚ 40% for the next
- ✚ 20% for the slow movers

“Fill rate” means the minimum stock you should have.

For example, 80% fill rate means that if 10 people come in to buy Cofta, you should have enough doses to serve at least 8 out of the 10 people. Therefore, once your stock reaches 8 doses of Cofta, where you should have 10, then place your order for more. This means that by the time you receive more stock, you will still have enough stock.

Remember: If a customer fails to get a particular medicine from your ADS twice, he or she will move to your competitor. This dissatisfied customer will not come back, and will tell five more customers that your ADS has no medicines!

How Do You Determine Which Are Fast Selling or Slow Selling Medicines?

This is one area where recordkeeping is important, as we shall discuss in the session on recordkeeping. If you keep good sales records, at the end of each week or month, you will be able to know how each medicine type or brand moves. Records should also include lost sales.

What Are Lost Sales?

A lost sale is when a customer asks for a medicine that you don't have in stock. If in one month, there are 10 lost sales for one medicine, then it means that this medicine is needed, so you should include it in your stock orders.

Stock Control System Steps	
1. Receive your stock	Count and check the condition of the products supplied against the invoice or delivery notes, if available.
2. Record your stock	Write down all products coming into and going out of your store. Follow the rule of FEFO or FIFO.
3. Store your stock	Keep the right amount of stock in a safe, temperature-controlled (if necessary), and practical way.
4. Check your stock	Check and count your stock often to make sure that it is in good condition, it has not expired, and no stock is missing.
5. Arrange your stock	Arrange your stock so that it attracts customers to buy it and so that it is easy to count.
6. Re-order your stock	Re-order the right stock, in the right quantity, and at the right time.

Stock Records

The simplest form of stock recordkeeping for an ADS is a **stock card**. There are two types of stock cards: a pre-printed stock card or a "home-made" stock card. A home-made stock card means that the shop owner creates his or her own stock card. It can be easily made from an exercise book or a counter book. An example of a page in a counter book would look like this:

DRUG NAME: COFTA				
Date	Quantity In (pairs)	Quantity Out (pairs)	Balance	Expiry Date
15 .8 .13	200		200	14 .4 .2014
16 .8 .13		10	190	
18 .8 .13		15	175	
25 .8 .13	50		225	14 .4 .2014
31 .8 .13		20	215	21 .8 .2014

You can allocate about four pages per month for each brand for fast movers, while one page can be enough for slow movers.

Prescribing and Dispensing Log

It's a document that is used to keep records of all controlled drugs administered, dispensed or otherwise disposed of.

The drug shop owner must be able to document what medicines clients have received, how much, and when.

The drug shop owner must also document the date, client names, age, sex, address, diagnosis, treatment, cost of the medicine, person who prescribed the treatment, and the person who dispensed the medicine, all this information in the prescription and dispensing log.

Ordering Stock

If you buy from the sales van, they will have their delivery book, where all your purchases are recorded on the delivery note and you sign.

If you buy from the wholesaler's shop, you need to have a stock order form, where you write down the types and names of medicines you need to purchase.

In case you order by phone or any other means, then you will need to check the stock delivered against what you ordered.

Stock Taking

Stock taking enables the ADS to know how much stock is in the business, both in terms of goods and money value. Stock taking also helps to eliminate dead stock. Dead stock means medicines that are about to expire or those that have expired. It is usually done at the end of the year. The closing stock for December 2013, for example, becomes the opening stock for January 2014.

Inside Your ADS

Space management is another key management practice in an ADS. The most common form of medicine storage and display is on shelves and in counters. Following the FIFO rule and the particular formula you have adopted, fast moving medicines should be the nearest, where you can pick them even without leaving your seat. Slow movers should be at the end, or could even be kept in cartons and placed in a specific corner. The shelves need to be made with a stopper-rail running across each base of the shelf, to prevent bottles or boxes from

falling down.

Housekeeping, Merchandising, and Hygiene

Your ADS is a business. Business is competitive. You need to attract and keep customers. One key factor that determines a customer's choice of drug shop will be the general ambiance (inside environment) of your shop. However small, make sure your shop is very clean, tidy, and attractive to the eye. Most OTC drug manufacturers have advertising materials, such as posters. You can use these creatively, to improve the ambiance of your shop. Place them at strategic points where they appeal to customers entering the shop.

Hygiene in an ADS is very important. The shop floor, the shelves, and the counter need to be cleaned and mopped regularly. Take advantage of any free moment when there are no customers in the shop to clean up. Whether one person (the owner) or with staff, it is important to be clean. You have been trained on best practices in dispensing medicines, but we need to emphasize it here as well from a business perspective.

Summary

- 📌 Housekeeping, merchandising, and hygiene
- 📌 Stock taking
- 📌 The FIFO Rule
- 📌 The FEFO Rule
- 📌 Ordering for stock

Session 4: Marketing and Customer Care

Marketing can be simply defined as efforts by a business to keep attracting and retaining customers. Attracting and winning customers means getting them to buy from you. Keeping customers means that these customers have made you their only or preferred source of accredited medicines. Keeping customers is actually harder than winning or attracting customers.

Attracting or Winning Customers

Attracting customers begins with making them know that you have what they need, where to find it, and at a price they can afford. These are the 4 Ps of marketing. The first P is **Product** (medicines), the second P is **People** (customers, staff), the third P is **Place** (location of your ADS), and the fourth P is **Price** (the cost of medicines).

1. **Product:** The product is what attracts customers. You must stock the required medicines needed in your market of operation. Remember the discussion on business environment at the beginning of this course. If you identify the opportunities well (the needs of the market), then you will stock the right medicines. Another key factor about product is to know which medicine treats what disease. If Cofta is not available, what is the alternative medicine? Do you sell genuine medicines? Are they always in good condition?
2. **People:** The people are the customers you serve. If the area where you operate your business is populated by students and young people, what type of medicines do you stock? If you have mothers with babies, do you stock only tablets and ignore syrups? If you have older people in your area of operation, what medicines will meet their needs? What is the general income of the people? How many can afford brand medicines, and how many can afford generic ones?
3. **Place:** The place is the actual physical location of your ADS. The first thing to consider about place is the location of your business. It must be located where it can be easily accessed. It must be visible.
4. **Price:** This is another key factor in marketing. Is your price affordable to your customers? The price must be right for the product. Not too high to chase away customers and not too low to chase you out of business.

Marketing Communications for a Drug Shop

Marketing communications is how you reach your customers to tell them about your business. The means you use depends on the type of people you want to receive your message. The action of communicating your business is called advertising.

The very first step to advertise your business is to give it a name, for example, Afya Bora Drug Shop. This should be written in big letters that can be read even from far away on the various media you chose to use as sign posts.

Affordable means you may use to advertise an ADS include radio, posters, flyers, and stickers. Envelopes for packing medicines and receipts bearing your business name, location, and telephone number also serve as good advertising material. Radio is the most effective, since it reaches the largest number of people, including those who cannot read or write. Posters can be placed in strategic places, while stickers and flyers can be distributed to homes, schools, taxis, churches, mosques, and markets.

Rules of Effective Advertising

- ✚ Use the language most people understand.
- ✚ Use few, clear words.
- ✚ Use clear pictures/diagrams.

Keeping Customers

We noted at the beginning of this session that marketing aims at two things: attracting customers and keeping those customers. Your business will only grow if you can keep the customers that you attract. If you keep losing customers, then your business will eventually collapse. Customers are very easy to please, and therefore easy to keep. Remember the eight stakeholders of your business that we discussed in the first module? Who is number one? It is the customers. And what do they expect? *The only thing you need to do to keep your customers is to know what they expect and give them what they expect.*

Customer Expectations

Customers expect the following:

- ✚ Quality medicines: your medicines must be genuine (not fake) and not expired.
- ✚ Fair, affordable price: They must not feel that you are over-charging them. Remember, there are other ADS where they can compare prices.
- ✚ Service with a personal touch, respect, and care.

Tips to Keep Customers

- ✚ Always welcome customers with a greeting and a genuine smile.
- ✚ Make an effort to know your customers by their names (most are neighbours).
- ✚ Attend to them quickly, even if you have many waiting.
- ✚ Ensure that you can answer all their questions about the medicine they need.
- ✚ Have a clean comfortable place where they can sit while waiting.

Summary

- ✚ The most effective means of marketing your business is by word of mouth by your satisfied customers.
- ✚ An angry customer will tell five people about your “bad” business.
- ✚ The only thing you need to do to keep your customers is to know what they expect and give them that.
- ✚ Treat customers the way you would like to be treated if you went to someone’s shop.

Session 5: Business Leadership and Ethics

The purpose of this course and training is to enable you have the skills to grow your business while making profits. Setting a vision and setting goals for the business are what business leadership is all about. The founder of the business, the entrepreneur who started the business is the one to provide leadership for that business to grow. Business leadership means providing:

- ✚ A vision (long term) for the business.
- ✚ A direction (day-to-day operations) for the business, for it to move and reach its vision.

A good business leader, who leads his business to success must:

- ✚ Think big and long term
- ✚ Be creative
- ✚ Focus
- ✚ Sacrifice
- ✚ Inspire
- ✚ Motivate
- ✚ Make decisions
- ✚ Take risks
- ✚ Practice and promote good ethics

Business ethics starts with the business owner. A bad person will not run a good business and sell good medicines. If you are bad person, the neighbours know.

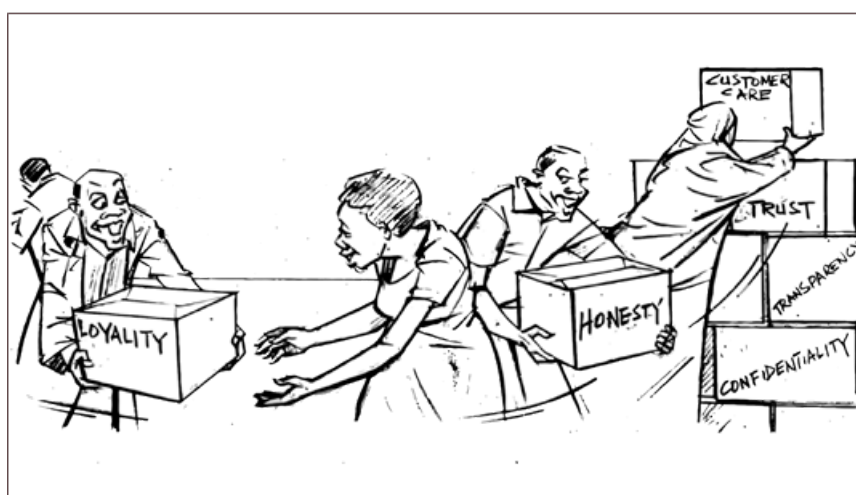
Ethics simply means doing the right and good thing: *Doing to others what you would like done to you*. Ethics is important in an ADS business because the business involves saving lives.

Some actions of good business ethics include:

- ✚ Selling the right medicines.
- ✚ Selling medicines that have not expired.
- ✚ Selling at the right price.
- ✚ Advising customers if the medicine they need is not available, instead of telling them *...this one also can work*.
- ✚ Honesty when dealing with people who may not know much about medicines.

Summary

- ✚ Leaders have the responsibility for ensuring high moral and ethical standards in an ADS business.
- ✚ Good business leadership does not only focus on business competence, but also on ethics and people transformation.
- ✚ Ethical leadership respects the rights and dignity of others.
- ✚ Ethical leaders ensure that ethical practices are carried out throughout the ADS.



Session 6: People Management

“Management is nothing more than motivating other people.”


People management is the ability to communicate effectively with people you work with (employees, suppliers) in order to get the job of the ADS done. People management invests in building trusting and respectful relationships. People management aims to foster productive interactions.

Steps in Managing People Effectively

- ✚ **Communicate your expectations.**
 - Identify your specific goals and targets.
 - Determine the timeline required to meet them.
 - Determine the role of your team in meeting them.
 - Communicate your expectations of them in advance.
 - Provide your team with feedback about how well they are meeting your expectations.

 **Analyse your team to learn the strengths and weaknesses of each team member.**

Take time to understand the strengths and weaknesses of your team.

 **Assign responsibilities to maximize the strengths and minimize the weaknesses of your team.**


Meet with your team regularly to:

- Provide feedback on people's performance.
- Support the team.
- Enable you to understand the team better.
- Create opportunities for all to consult each other.
- Motivate the team.
- Keep track of team activities.

This helps you:

- Recognize team performance.
- Reward good performance publicly.
- Give constructive criticism in private.

People Management Tips

 Share the vision, mission, and objectives of your ADS regularly.

 Share your goals with the team.

 Encourage your team to subscribe to the values of your ADS.

 Be consistent.

 Communicate clearly and make goals unambiguous.

 Listen.

 Provide frequent feedback, especially when positive.

 Address any obstacles to your team's success.

 Be fair, but firm.

 Be consistent and document everything.

 Lead by example.

 Be a role model for your colleagues by being a positive presence.

 Show compassion, understanding, respect, and focus the team.

 Foster a culture of teamwork and dedication.

 Compliment your team.

 Communicate, communicate, and communicate.