Hello and thank you for coming to today’s team meeting. In this meeting, we’re going to review how our practice chooses to price inventory items that our hospital sells to pet owners and some other inventory-related topics.

Pricing is not as easy as pulling a number out of the air or charging what we’ve always charged. Are you ready to get started? Let’s start with a money discussion to frame the issue of pricing.

3-minute activity: Why we charge what we charge

[Pass out the “Inventory pricing strategy worksheet”] We’re going to use this worksheet as a guide for our first activity. I’ll give you a couple of minutes to fill it out.

Think about what our practice is trying to achieve by selling inventory and how pricing affects this. The answers to these fundamental questions are essential to deciding what the right price is for a particular product, but sometimes they get lost in the shuffle. For example, selling products directly out of our practice is convenient for pet owners, generates revenue for our business and may improve client compliance. Inventory expenses—drugs and medical supplies, food, other pet products—are one of the biggest expenses in a practice.

5-minute detour: Let’s talk about theft ...

Unfortunately, every practice has to deal with inventory control and “shrinkage,” or theft by clients or employees. I see some of you squirming, and that’s OK because talking about theft should make you uncomfortable. But it’s a topic we need to cover—and I want to make clear my expectations as a manager (or practice owner). If you’re a team member who’s strapped for cash, you might think it’s a minor thing to take a bag of food here or a flea preventive product there, but these missing items add up to big losses for our practice—especially if everyone’s doing it.

I’m simply going to ask all employees to pay for the products you need. If you find yourself struggling financially to provide the products you need for your own pets, please come and discuss this privately with me on a one-on-one basis.

For our team members who are directly responsible for inventory management, there are two important guidelines to cut down on theft:

1) Don’t leave all inventory in easily accessible places. Instead, we will display empty boxes in public areas.
2) Keep products organized and perform regular physical counts.

What happens if we discover during a monthly review that the quantity of a product doesn’t match what’s recorded in our computer system? Then it’s time for us to figure out whether:

> the product was received and entered incorrectly into the computer
> a charge was not entered into the invoice for a product that was given to a client
> a product was stolen from the hospital
> the product was used in-house and not recorded in the computer.
7-minute game and discussion: The price is right

We’re going to play a version of The Price is Right. (This is a fun game to play with our entire team, not just those involved in pricing inventory.)

I’m going to show you five different items our practice regularly sells to clients, and then I will tell you how much we charge a client for each item. Please write down on your worksheets how much you think the item costs the practice. The person who comes closest for each item will win a piece of candy.

Let’s use the answers you gave during the game to discuss why the price to the client may seem “high.” These are things that the client’s price has to cover:

> cost of the product
> compensation and benefits for all the employees who 1) order and stock product, 2) enter information into the computer system, 3) pay the bills, 4) talk to clients about the need for the product, and so on.

Do you see why the profit on products isn’t as high as clients think and that this revenue is crucial to covering practice expenses?

5-minute activity: Pricing strategies

Let’s talk about the different ways we can price items and discuss the basic strategies we use:

**Fixed pricing:** This is when you charge the pet owner a set amount for the product, regardless of what the practice has to pay.

> If a product costs the practice $10, what’s an example of a fixed price? It could be $12, $15, $22—any fixed amount.

> If the cost is $10 and the client price is $22, what’s the gross profit?

> What’s the gross profit if the product cost goes from $10 to $12?

What are the different impacts on profits using a fixed and a variable pricing methodology? [Allow discussion.]

**Variable pricing:** This is when you mark up the product a certain percentage or dollar amount using the purchase price as the base for this calculation.

> If a product costs the practice $10, what’s an example of a variable price? What would be the price if the markup is 100 percent on the product?

> What’s the gross profit on the examples?

> What’s the gross profit if the product cost goes from $10 to $11?

What are the different impacts on profits using a fixed and a variable pricing methodology? [Allow discussion.]

**Market pricing:** This is when you sell the product to clients at a price similar to what other practices/online pharmacies charge.

> If a product costs the practice $10, your local pet store sells it for $20, and 1800PetMeds.com sells it for $17 plus $4.99 in shipping, what will your practice sell it for?

2-minute quiz and wrap-up

[Pass out the “Inventory management and pricing quiz.”] Please spend the next minute recording your answers on this quiz. If you get a perfect score, you can win _______ (a small prize, such as candy or a $5 Starbucks card). Ask team members what questions they have. Do you have any questions about any of the material we’ve covered during this meeting? Thank you for your participation and for sharing your ideas!