

# Drug House Management

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Drug House is a American turn used to pharmacy drug House sale medicine and there other items like cosmetic. The drug House is organised to make in hospital the drug House Management obtain drug from different sources.

## Organisation of Drug House.

Planning, design making, organising, staffing, directing and controlling are the functions required to be managed for Organisation management.

The management function involves all those activities which are required for making the business economically productive.

## Infrastructure of a Drug House:-

- 1) Site selection for Drug House
- 2) Space layout for Drug House
- 3) Design of Drug House

### Selection of Site:-

- Selection of a suitable site is the main objective of entrepreneurs for making their business successful.
- Site selection is done after taking the decision of opening a drug House, getting required qualifications and experience.

## Space layout of Drug House:-

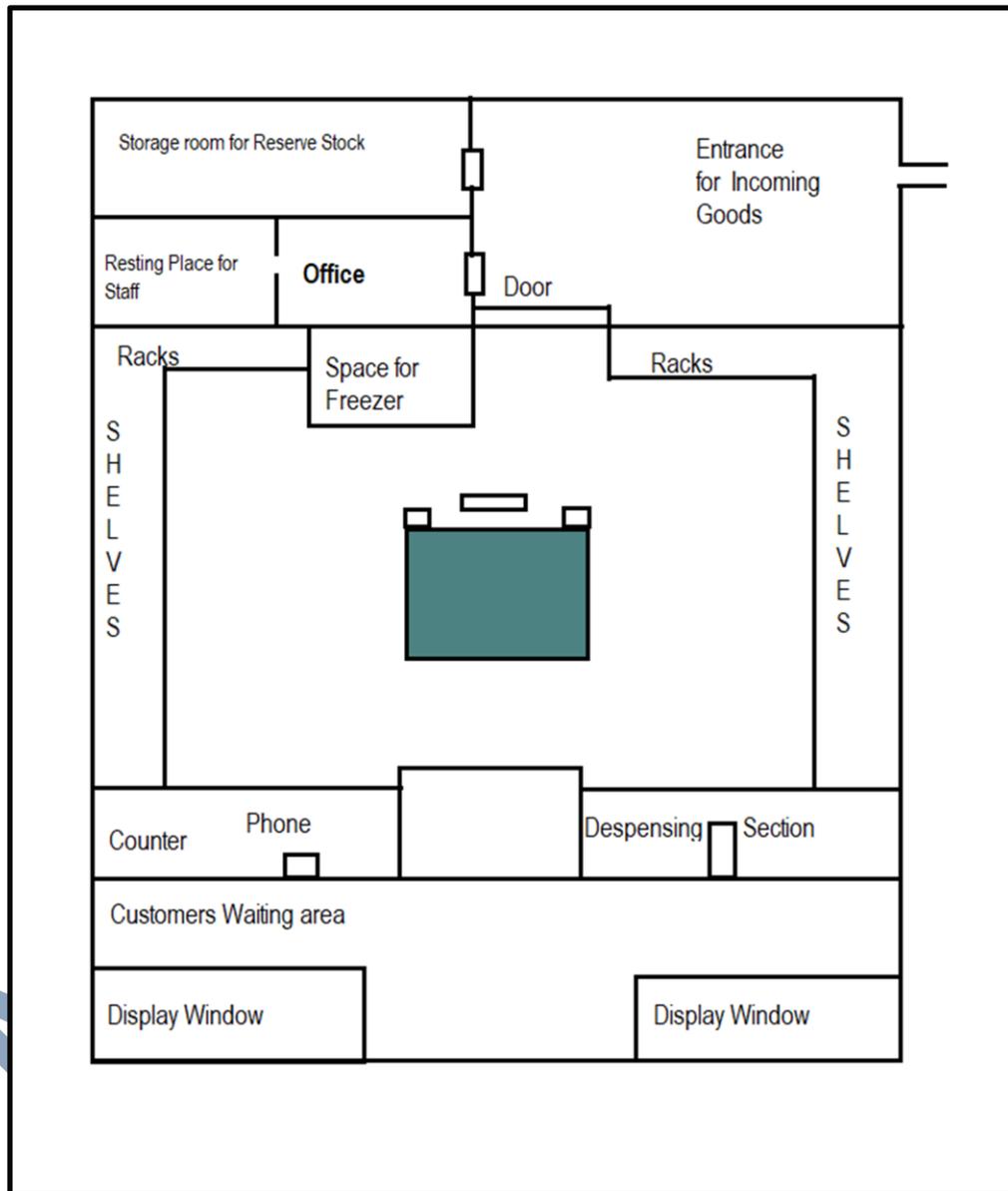
The layout design is the plane proper and maximum utilization of space inside four wall of business.

There should be signal iterance for the customer. The shop area should be required for private room the license should be display.

## Ideal features of layout design

- It should increase the sale of store.
- It should fascinate a large number of customers.
- It should decrease the selling expenses to a minimum.
- It should have an adequate entrance for incoming goods.
- It should provide customers satisfaction.

### Design of Drug House



### Legal requirements for establishment of drug.

There are various parameters which should be analysed and evaluated for deciding whether or not a community requires a pharmacy. These parameters provide the opportunity for improving services to the community by encouraging the efficient use of skilled staff.

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#### Purchasing:-

- In drug store management purchasing refers to acquiring various types of medicine from the external network.
- In other words purchasing refers to the act of buying the drugs or medicines from the manufacturers, suppliers, wholesalers and their agents like distributors or from the private or public supplies.

#### Objectives of purchasing.

The purchasing of drugs is the most Important activity which is undertaken with the following:

##### **A. Availability of drugs at the minimum possible costs:-**

Procurement of various chemicals for the production of drugs constitutes inputs for a manufacturing unit at the minimum possible rates staff.

##### **B. Enable regular flow of production.**

Incessant supply of various constituents of inputs ensure a smooth and continuous production process which in turn keeps the production cost in check and thereby maintains the profitability level of the pharmacy.

##### **C. Establish cordial relations with suppliers**

Maintaining a cordial relationship with the suppliers goes a long way in creating an affirmative reputation of the pharmaceutical company in the market.

- 1) Acquisition of supplies at the most competitive rates.
- 2) Getting priority over others in supply of medicinal products during a period of their shortage.
- 3) Getting advance signals of impending shortage of drug supply.
- 4) Timely intimation of any innovation with regard to a substitute of the medicine currently in use.
- 5) Getting facility of making payments with delay.

#### Importance of Purchasing

Purchasing is becoming a core competency of the firm, finding and developing suppliers and bringing in expertise that is highly valued by the organization. Purchasing is generally responsible for spending more than 50% of all the revenues the firm receives as income from sales.

#### Selection of supplies:

A supplier in pharmaceutical industry refers to a person who is engaged in the activity of selling or supplying the drugs.

The primary motive of the drug store is to properly select and monitor the supplier for the supply of the pharmaceutical products.

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#### Credit Information:-

The supply by retailer / manufacture of any drug shall be made against a cash or credit memo containing the following information.

- 1) Name, address and sale license number of dealer.
- 2) S.r. number of the credit memo
- 3) Name and quantity of the drug supplied.
- 4) Some important following particulars:- Date of purchase, Name and address of person, number of relevant license.
- 5) Name of the drug, quantity and batch number.

#### Name of the manufacturer of the drug.

#### Tender:-

- Tender refers to the procedure in which government gives the invitation for bidding the contract of large projects and these bids should be submitted within a specified period of time.
- It also means the invitation of bids for a project or to give acceptance of the formal offer like takeover bids.

#### Contract:-

- A contract for goods and services is a legally binding agreement between a buyer and seller for a specified period of time. In the public sector the purchaser is usually the government and provide may be a private sector company.
- In drug house management a contract refers to an agreement between a retail Pharmacist and wholesaler for the purchase of pharmaceutical product during a specific time period by law.

#### Price determination:-

- The price determination of pharmaceutical product is done at national level.
- India has developed some practices to control the price from the period of 1970s.
- The essential commodities act 1955 was established under which drug price control over was issued and all drugs under the national list of essential medicines falls in the category of DPCO.
- The authority responsible to control the price in pharmaceutical industry is national pharmaceutical pricing authority (NPPA)
- In price determination a specific factor is taken into consideration for paying attention towards the level of inflation.

#### The following factors of price determination.

- a. Purchase price

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- b. Shipping cost
- c. Clearing and custom charge
- d. Transportation charges
- e. Mark-up to cover administrative and other costs.

### Legal requirements in price control on Drugs:-

- The pricing of drugs is administered under the provisions of the drug price control order (DPCO) and National pharmaceutical pricing policy by the National pharmaceutical pricing Authority under development of pharmaceuticals ministry of chemicals and fertilisers.
- Price controls are applicable to what is generally known as Scheduled drugs.
- Those medicines listed out in the schedule-I of Drug price control order issued by India government from time to time.

### Codification:-

The process of providing codes, symbols or distinct name to the pharmaceutical products. This is done so that the required materials of drugs can be easily and quickly identified in the drug store.

#### Methods of Codification:-

- 1) Alphabetical Order:-
- 2) Dosage forms
- 3) Random Bin
- 4) System Level
- 5) Frequency of Use
- 6) Commodity Code

### Handling of Drugs storage and other hospital supplies :-

- The medicinal products should be stored in each temperature and with the adequate security in order to facilitate easiness in using the drugs and also to safeguard the medicines from any harmful effect.
- The main objective of handling of Drugs store is to safeguard the different medicinal products stored in the drug store from theft, losses and wastage to smooth supply of pharmaceutical product to the ultimate user in a cheapest way.

### Inventory Control:-

The procedure of handling inventory of medicines, drugs so as to fulfill the demand of the customers at comparatively lower prices and with less amount of investment is called Inventory control.

#### Objectives of Inventory Control:-

- 1) It assures adequate supply of medical goods to customers and minimums the changes of shortages in a drug Store.

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- 2) It helps in maintaining proper records in the drugs Store.
- 3) It helps in short-term and long-term planning for the production of medical product.
- 4) It also optimizes the amount of capital tied up in inventory of a drug store.
- 5) Inventory control helps in bringing efficiency in purchasing, storing, accounting for medical products.

### Importance of Inventory Control:-

- 1) Better Service to Customers
- 2) Continuity of Production Operations
- 3) Reduces the risk of loss
- 4) Protects variation in Output
- 5) Proper Utilisation of working capital
- 6) Check on loss of material

### Modern Techniques of Inventory Control

**ABC Analysis:-** The system of evaluating the drugs that are present in the storage on their cost price is called as ABC Analysis.

They are classified into three groups

- 1) Category A
- 2) Category B
- 3) Category C

**Category A** of the ABC Analysis Carries maximum amount of the total stock of drugs.

The drug store wants to take benefits from these drugs in terms of money then they need to manage these drugs properly.

The calculation of annual expenditure is done by multiplying the annual consumption from its unit cost in ABC analysis. The cumulative cost of drugs was calculated by organising the Annual Drug Expenditure (ADE) in the descending order according to the value of money.

They need to manage those drugs properly . To reduce the cost of acquiring, storing and issuing of drugs right supervision is required.

**Category B** comparatively less supervision is required and the orders are required to be placed semi-annually.

**Category C** are drugs bought in large quantity and therefore its control is leveraged.

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#### Advantage of ABC Analysis

1. Label of Control
2. Careful Accounting
3. Safety Stocks
4. Quantity discount Factor
5. Layout of stores.

#### Disadvantage of ABC Analysis

1. In big industries there are large number of drugs so the recording and calculations become very difficult.
2. Increase stock of drugs of category C may lead to deterioration and obsolescence.
3. Modification in some items falling in category B drugs could be very important.

#### VED Analysis :-

This analysis depends on the crucial values and the shortage cost of drugs.

VED Are classified in three groups.

**1. Vital (V) :-** The vital category contains drugs that are necessary for the life of the patient and needs to be present all the time in the hospital. These Drugs it will hamper the daily working of the drug store.

**2. Essential (E) :-** The essential category contains medicine which are comparatively less crucial and kept in the hospital under this group. The categorisation of these drugs is done according to the urgency of the stock.

**3. Desirable (D) :-** The Desirable category contains medicine which are not crucial and are kept in the hospital under this category.

The shortage of these drugs dose not cause any harm to the life of the patient.

#### Lead Time:-

- The average time period between the placing of order of medicines and receipt of medicines is called Lead Time.

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- It is considered when the other of the medicines is to be made.
- It helps in identifying the amount of medicines to be ordered in time so that there is no scarcity of medicines in the hospital.

### Inventory Carrying Cost:-

- Carrying cost refers to the cost which is incurred due to storing of drugs in an inventory.
- It is also popular by the name of holding cost.
- The elements of carrying cost include the following.
- The opportunity cost of capital invested in the stock.
- The obsolescence cost includes scrapping and possible rework.
- The determination cost and costs incurred in preventing deteriorations.

### Safety Stocks or Buffer Stock:-

Safety stock, also referred to as buffer stock, is the excess inventory that a company carries to make sure they don't run out of stock on something.

You can think of this like just in case inventory. It's extra merchandise stored just in case they run out of the items on the shelves.

### Minimum and Maximum stock levels:-

- Minimum and maximum stock levels are stock limits for the customer location product that the customer agrees upon with the supplier. The projected stock must not fall below the minimum stock level. For more information, see Calculation of Projected Stock.
- The maximum stock level is the maximum quantity of stock that is to be on hand at the customer. You can use different methods to determine these stock parameters.

### Economic order quantity:-

- Ordering costs and carrying cost of drugs are taken into consideration while determining economic order quantity of a Drug store.
- Ordering costs is basically the cost associated with receiving an inventory while carrying costs includes handling warehousing and allied cost.

### Scrap and surplus disposal

The residue attained in the manufacturing process is called scrap. These are the items whose value can be recovered but in a very less amount without being processed further.

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**Example-** granules that are found in the manufacturing of tablet packing cases and containers that is not to be returned.

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