



■ IDEXX Cornerstone*
Improving Inventory Management
Performance

8.3

Participant Workbook



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IDEXX Computer Systems
One IDEXX Drive
Westbrook, Maine 04092 USA
idexx.com/cornerstone

Improving Inventory Management Performance

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Introduction

COURSE DESCRIPTION

During this course, inventory managers will learn how to identify their IDEXX Cornerstone* Practice Management System inventory management gaps and take steps to improve quantity accuracies, inventory turns, and profitability within their real data files.

PREREQUISITES

- The current version of the Cornerstone* software installed at the practice.
- Completion of Introduction to Inventory Management or completion of the Introduction to Inventory Management Skill Assessment. Email CornerstoneCoach@idexx.com for more information.
- Minimum of two full end-of-month closed periods.
- Inventory costs (receipts) and sales (invoicing history) transactions.

GETTING STARTED

Throughout this training, you may be working in your own practice's database.

As you participate in this course, it is most effective if you are working at a Cornerstone workstation so that you can follow along in the participant workbook and complete the exercises.

TRAINING CONTENT

Content of the course includes:

- Inventory Performance Introduction
- Quantity Troubleshooting and Goals
- Cost/Price Troubleshooting and Goals
- Profitability/Margin Troubleshooting and Goals
- Turnover Troubleshooting and Goals

These icons are used throughout the training to provide additional information:



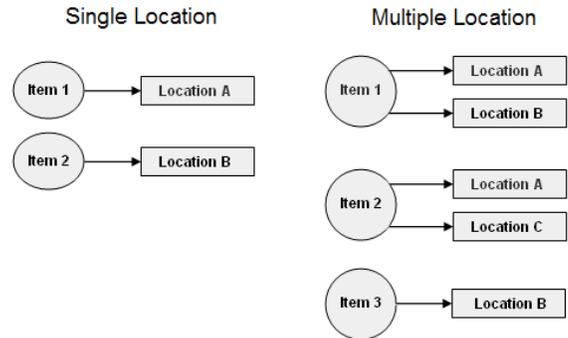
Important Information: Provides critical information about the topic or procedure. Read this information carefully.



Note: Provides additional information about the topic or procedure.



Tip: Provides helpful information about the topic or procedure.



Improving Inventory Management Performance

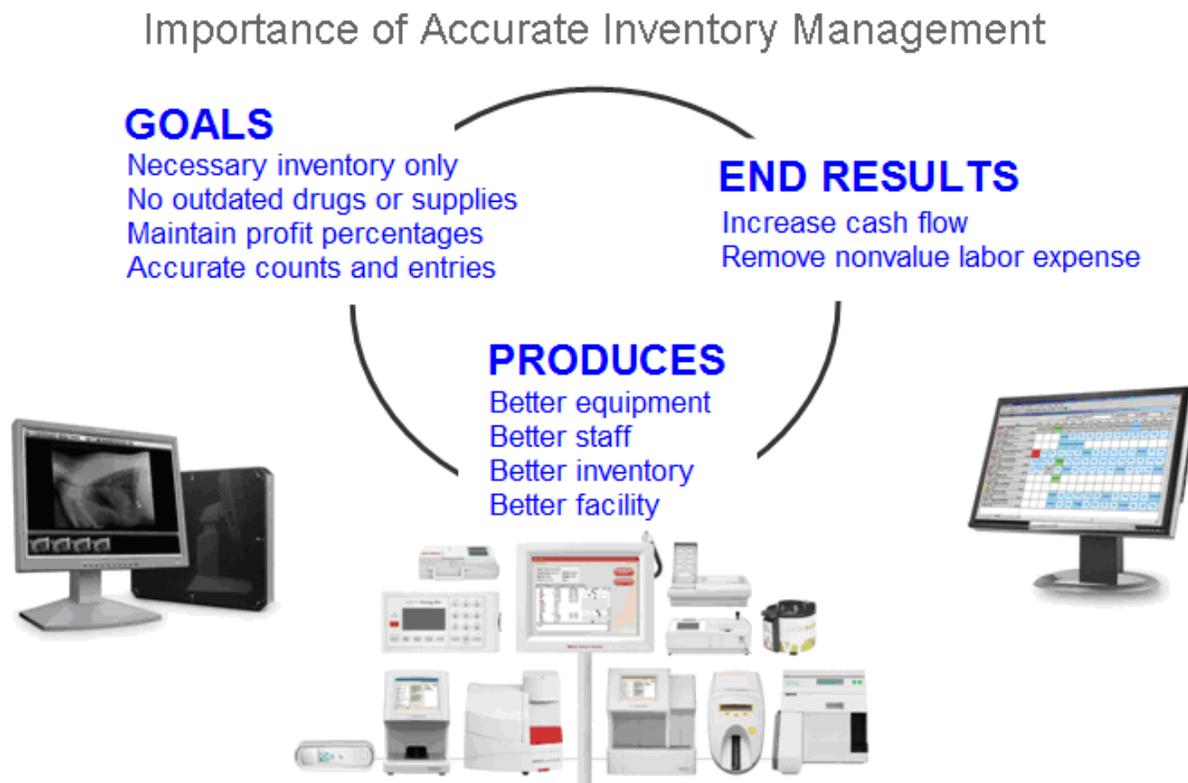
Inventory Performance Introduction

You'll learn these important concepts in this chapter:

- **Importance of Accurate Inventory Management**—Learn to identify inventory performance components and set goals.
- **Experiences and Goals**—Based on your inventory experiences, set practice goals for Cornerstone* inventory.
- **Inventory Performance Benchmarking Sources**—Use inventory performance benchmark sources to determine if your goals fall within the benchmark standards and to evaluate your current methods for identifying problematic inventory.
- **Inventory Cost and Quantity Work Flow Overview**—Learn how Cornerstone transactions affect inventory cost and quantity.
- **Identify Performance Improvement Target**—Use provided reports to view cost and quantity transaction information over a period of time to determine target points for performance improvement.

IMPORTANCE OF ACCURATE INVENTORY MANAGEMENT

Inventory management is an ongoing process required to achieve your optimal inventory performance levels. Proper training of the inventory team, complete inventory item setup, correct receipting, accurate invoicing, and diligent monitoring are necessary to maximize your return on investment.



Learn to identify inventory performance components and set goals. Target an inventory item to improve performance.

- Inventory performance concepts of quantity, cost, margin, and turnover
- Find industry benchmark sources to set goals
- Understand inventory work flow for cost and quantity
- Identify inventory targets using key reports
- Action steps to attain inventory goals

Performance and success, which will be the focus throughout this course, are directly linked to the following parameters:

- **Quantity**—Maintain correct quantities on hand and avoid negative quantities.
- **Cost/price**—Maintain accurate costs and monitor fees.
- **Profitability/margin**—Monitor the relationship between revenues and costs for accuracy and to maintain a margin that allows you to continue to invest in your business.
- **Turnover**—Track frequency of items that complete a purchase and sale cycle.

EXPERIENCES AND GOALS

Each practice will have different experiences and goals with Cornerstone inventory. Here are some examples:

- You may be unsure as to what you should be reviewing and monitoring. You need an approach that guides you through starting your improvement project and provides direction for how to collect your current metrics to determine your starting point.
- You may have experienced negative quantities on hand. You need to identify the transactions, windows, and reports that will help you target the root of the problem.
- You may be unsure about your inventory margin. You need to learn how to use key reports to review and monitor margin and profitability as well as highlight factors that affect your inventory bottom line.
- You may not understand what an inventory turn is. The first step is to understand its meaning and then to understand what the reports are telling you. You may then proceed with improving your inventory turn metrics.

INVENTORY PERFORMANCE BENCHMARKING SOURCES

Goal setting can be established using industry benchmarks. Recognized sources include but are not limited to AAHA, Well Managed Practice Study, NCVEI, and VHMA. Throughout this course, we may refer to these sources to help determine if the numbers on your Cornerstone reports are good or poor.

Discussion: What other methods are currently used in your practice to identify problematic inventory?

- End of period and inventory reports with inaccurate quantities on hand, skewed costs, or seemingly low revenues and/or margins.
- Visual assessment of product on shelves including quantities, number of same product types (such as NSAIDS), and condition (dusty or expired).
- Anecdotal or mental notes of items that are frequently out of stock or that must consistently be ordered because it's preferable to order repeatedly rather than tie up cash on the shelves.

INVENTORY COST AND QUANTITY WORK FLOW OVERVIEW

The diagram below illustrates how transactions in the IDEXX Cornerstone* Practice Management System affect inventory cost and quantity.

Beginning Quantity	+	-	Ending Quantity
	<ul style="list-style-type: none"> + Inventory receipts + Voided invoices + Voided prescriptions + Voided medical notes + Credit invoices + Adjustments + Declined PVL items 	<ul style="list-style-type: none"> - Performed PVL items - Posted invoices - Saved invoices - Voided invoices - Adjustments - Returns to vendor - Internal usage - Completed Whiteboard treatments 	



IDENTIFY PERFORMANCE IMPROVEMENT TARGET

Use these reports to view cost and quantity transaction information over periods of time for the previously mentioned transaction types:

Focus: Quantity on Hand (QOH)

Report Title: Inventory—Counts Report

Report Description

Use the Counts Report to view the location of items in your inventory.



Only items set up to maintain quantity on hand (QOH) appear on this report.

Sort Order and Range

Sort Order	Range
• Item Description	• If Sort by is Item Description: Class ID, Item Description, Item ID, Location
• Location	• If Sort by is Location: Class ID, Item Description, Location
• Class ID	• If Sort by is Class ID: Class ID, Item Description, Item ID

Report Fields

- Actual: A box for writing the current quantity on hand.
- Item ID: The unique identifier for each invoice item.
- Description: The name of the invoice item (hospital description).
- On Hand: Current quantity on hand and unit of measure for item, item’s location, expiration date, or lot number.
- Location: Location of current item’s quantity.
- Expiration Date: Expiration date for current item quantity and location.
- Lot Number: Log number for current item quantity and location.
- Class: Invoice item classification ID and description. (Only in sort option Class ID.)

Directions to Run the Report

1. On the menu, select **Reports > Inventory**.
2. On the Reports Search window, select **Counts Report**.
3. Click **Create Report**.
4. On the Inventory Reports window, select **Counts Report**.
5. Click **Run**.
6. From the **Sort by** list, select the sort order.
7. Optional: Type a range of values in the **Starting value** and **Ending value** boxes.
8. Click **OK**.

Actual	Item ID	Description	On Hand	Location	Expiration Date	Lot Number
	Class: PHA	PHARMACEUTICALS				
	08129	Bac/Neo/Poly/HC Ointment 3.5g	0.00	tube		Surgery Cabinet
	08129	Bac/Neo/Poly/HC Ointment 3.5g	-1.00	tube		Central Storage
	04023	3V Caps Med/Lge Breed 60ct.	1.00	bottle		Central Storage
	02801	Acepromazine 10 mg	0.00	tablet		Pharmacy
	02801	Acepromazine 10 mg	246.00	tablet		Central Storage
	02802	Acepromazine 25 mg	20.00	tablet		Pharmacy
	02802	Acepromazine 25 mg	242.00	tablet		Central Storage
	08013	Ak-Trol Ointment Neo/Poly/Dex	13.00	tube		Central Storage
	02205	Albon 125 mg	235.00	tablet		Central Storage
	02206	Albon 250 mg	261.75	tablet		Central Storage
	02207	Albon 500 mg	441.50	tablet		Central Storage
	2204	Albon Syrup - 1 ounce	12.00	dose		Central Storage
	03001	Aminophylline 100 mg	797.00	tablet		Central Storage
	03004	Amitriptyline HCL 10 mg	0.00	tablet		Pharmacy
	03004	Amitriptyline HCL 10 mg	662.00	tablet		Central Storage
	02228	Amoxi Drops 50mg 30 ml	0.00	bottle		Pharmacy
	02228	Amoxi Drops 50mg 30 ml	-5.00	bottle		Central Storage
	02221	Amoxicillin 100 mg	349.00	tablet		Central Storage
	02223	Amoxicillin 250 mg	457.00	tablet		Central Storage
	02224	Amoxicillin 500 mg	1652.00	capsule		Central Storage
	03011	Anipryl 5 mg	4.00	box		Central Storage
	03013	Anipryl 10 mg	2.00	box		Central Storage
	03014	Anipryl 15 mg	2.00	box		Central Storage
	03012	Anipryl 30 mg	1.00	box		Central Storage
	02241	Antirobe 25 mg	1318.00	capsule		Central Storage
	02244	Antirobe 75 mg	120.00	capsule		Central Storage
		Antirobe/Clindadrops 25 mg/20 ml	11.00	bottle		Central Storage
		Antirobe/Clindadrops 150mg				

Focus: Cost

Report Title: Inventory—Cost Report

Report Description

Use the Cost Report to view the cost of inventory on hand.



Only items tracking QOH will appear on this report. Negative QOH/cost will not appear on this report.

Sort Order and Range

Sort Order	Range
------------	-------

- Item Description
- Class ID
- Vendor Name
- Location ID
- Location Group
- Item Description
- Item ID

Report Fields

- Item ID: The unique identifier for each invoice item.
- Item Description: The name of the invoice item (hospital description).
- Base Price: An item's base price. This is set up on the Information tab on the Invoice Item Setup window.
- Quantity on Hand: The amount of the invoice item on hand in inventory.
- Average Cost: The average cost of the inventory item. (Total cost divided by total QOH for an item.)
- Total Cost: Quantity purchased multiplied by unit cost.
- Markup/Margin: The markup or margin on invoice item.
- Last Date: The date the invoice item was last purchased.
- Purchase Unit Cost: The last purchase cost.
- Primary Vendor: The name of the invoice item's primary vendor.
- Location: The item's location.
- Group: The item's location group (only in Sort Option Location Group).
- Total: The subtotal of total cost for the current sort order grouping Class ID, Vendor, Location, or Location Group.
- Grand Total: Sum of the total cost.
- Class: The item's classification ID. (Only in Sort Option Class ID.)
- Subclass ID: The item's subclassification ID. (This is an extra field included when saving to a file.)
- Class Total: The total for each classification. (Only in sort option Class ID).
- Vendor: The vendor's ID. (Only in sort option Vendor Name.)

Directions to Run the Report

1. In Cornerstone, select **Reports > Inventory**.
2. On the Reports Search window, select **Cost Report**.
3. Click **Create Report**.
4. On the Inventory Reports window, select **Inventory—Cost Report**.
5. Click **Run**.
6. From the **Sort by** list, select the sort order.
7. Optional: Type a range of values in the **Starting value** and **Ending value** boxes.
8. Click **OK**.

Item ID	Description	Base Price	QOH	Average Cost	Total Cost	Margin Date	Last Purchase Unit Cost	Primary Vendor	Location	Group
1887	Absolute Elyl Alcohol 100%	\$0.00	0.00 [None]	\$0.0000	\$0.00		\$0.0000	MWI Veterinary	CSTONE	
ACE10	Acepromazine tablet 10 mg	\$0.05	0.00 tablet	\$0.0000	\$0.00	0.00%	\$0.0000	MWI Veterinary	PHARMAC	
AM0400	Amoxicillin tablet 500 mg	\$0.05	-116.00 each	\$0.0000	\$0.00	150.00%	10/7/2010	\$0.0000	MWI Veterinary	CSTONE
1863	Anhydrous Theophylline- gm	\$0.00	0.00 [None]	\$0.0000	\$0.00		\$0.0000	MWI Veterinary	CSTONE	
ATROIN	Atropine Injactable	\$1.83	0.00 cc	\$0.0000	\$0.00	0.00%	\$0.0000	MWI Veterinary	CSTONE	
BAY22	Baytril tablet 22.7mg	\$1.15	-15.00 tablet	\$0.0000	\$0.00	0.00%	\$0.0000	MWI Veterinary	PHARMAC	
BAY68	Baytril tablet 68mg	\$2.43	-4.00 tablet	\$0.0000	\$0.00	0.00%	\$0.0000	MWI Veterinary	PHARMAC	
BUPREN	Buprenex Injection and oral meds	\$0.00	10.20 ampule	\$0.0000	\$0.00		12/23/2011	\$0.0000	MWI Veterinary	CONTROL
CSAL20	Canine d/d Salmon and Pot # 17.6	\$41.97	1.00 bag	\$0.0000	\$0.00	0.00%	12/23/2011	\$0.0000	Hills Science	DIET
AD	canine / feline acid can	\$1.41	19.00 can	\$1.0642	\$20.22	33.00%	1/5/2010	\$1.0604	Hills Science	DIET
K9ALIT	Canine Adult Light Small Bites 5 lb	\$7.91	0.00 bag	\$0.0000	\$0.00	33.00%		\$0.0000	Hills Science	DIET
ADSM40	Canine Adult Small Bites # 20	\$26.13	0.00 bag	\$0.0000	\$0.00	33.00%	8/12/2011	\$19.6500	Hills Science	DIET
CBD10	Canine b/d 10#	\$24.13	0.00 bag	\$0.0000	\$0.00	33.00%	8/27/2011	\$18.1400	Hills Science	DIET
CB027	Canine b/d 27.5#	\$56.22	1.00 bag	\$42.2700	\$42.27	33.00%	9/30/2011	\$42.2700	Hills Science	DIET
CCD10	Canine c/d 10 lb	\$22.08	1.00 bag	\$16.6000	\$16.60	33.00%	10/28/2011	\$16.6000	Hills Science	DIET
CCD20	Canine c/d 20 lb	\$36.67	1.00 bag	\$27.5700	\$27.57	33.00%	9/30/2011	\$27.5700	Hills Science	DIET
CCD40	Canine c/d 40 lb	\$63.88	1.00 bag	\$48.0300	\$48.03	33.00%	12/23/2011	\$48.0300	Hills Science	DIET
CCD	Canine c/d can	\$1.76	10.00 can	\$1.3240	\$13.24	33.00%	10/21/2010	\$1.3242	Hills Science	DIET
CCD	Canine d/d can-All Flavors	\$2.65	12.00 can	\$1.7025	\$20.43	33.00%	12/23/2011	\$1.7025	Hills Science	DIET
194	Canine D/D Duck and Potato 17.6lb	\$41.97	0.00 bag	\$0.0000	\$0.00	33.00%	6/24/2011	\$31.5600	Hills Science	DIET
CDRE20	Canine d/d rice & egg 17.6 lb	\$41.97	1.00 bag	\$0.0000	\$0.00	0.00%		\$0.0000	Hills Science	DIET
CSAL10	Canine D/D Salmon and Pot # 8	\$20.57	0.00 bag	\$0.0000	\$0.00	33.00%		\$0.0000	Hills Science	DIET
K9DAP	Canine DAP 3-yr Vaccination	\$54.00	0.00 dose	\$0.0000	\$0.00			\$0.0000	MWI Veterinary	CSTONE
GD40	Canine G/D 40lb	\$55.67	1.00 bag	\$41.8600	\$41.86	33.00%	3/4/2011	\$41.8600	Hills Science	DIET
GD4CAN	Canine G/D can	\$1.42	12.00 can	\$1.2258	\$14.71		10/28/2011	\$1.2258	Hills Science	DIET
CHD20	Canine h/d 20 lb	\$36.55	0.00 bag	\$0.0000	\$0.00	0.00%		\$0.0000	Hills Science	DIET
CHD	Canine h/d can	\$1.53	14.00 can	\$0.0000	\$0.00	0.00%		\$0.0000	Hills Science	DIET
CID10	Canine i/d 10 lb	\$30.66	3.00 bag	\$18.7300	\$56.19	33.00%	12/23/2010	\$18.7300	Hills Science	DIET
CID20	Canine i/d 20 lb	\$43.33	3.00 bag	\$32.5800	\$97.99	33.00%	12/23/2010	\$32.5800	Hills Science	DIET

Focus: Profitability/Margin

Report Title: Inventory—Items Profit Analysis Report

Report Description

Use the Items Profit Analysis Report to determine profitability of inventory items sold.

-  End of month must be processed twice and end of year once before data displays for the appropriate columns for this report. The data in this report corresponds to the date in the EOM Inventory Sales Report.
-  Only items tracking QOH will appear on this report.
-  This report clears/resets at each end of month and end of year closing.

Sort Order and Range

Sort Order	Range
<ul style="list-style-type: none"> • Class ID • Location ID • Revenue Center 	<ul style="list-style-type: none"> • If Sort by is Class ID: Class ID, Item Description, Item ID • If Sort by is Location ID: Item Description, Item ID, Location ID • If Sort by is Revenue Center: Item Description, Item ID, Revenue Center

Report Fields

- Class: The unique identifier and description for the classification.
- Revenue Center: The unique identifier and description for each revenue center.
- Item ID: The unique identifier for each invoice item.
- Description: The name of the invoice item (Hospital Description).
- Month to Date—Frequency: Frequency sold this month. Frequency sales of the item.
- Month to Date—Sales: Quantity sold this month. Gross sales of the item (without taxes or discounts applied).
- Month to Date—Cost: Cost of the item sold this month.
- Month to Date—Profit: Profit of the item sold this month (sales minus cost).
- Year to Date—Frequency: Frequency sold this month. Frequency sales of the item.
- Year to Date—Sales: Quantity sold this year. Gross sales of the item (without taxes or discounts applied).
- Year to Date—Cost: Cost of the item sold this year.
- Year to Date—Profit: Profit of the item sold this year (sales minus cost).

Directions to Run the Report

1. On the menu, select **Reports > Inventory**.
2. On the **Reports Search** window, select **Items Profit Analysis Report**.
3. Click **Create Report**.
4. On the **Inventory Reports** window, select **Items Profit Analysis Report**.
5. Click **Run**.
6. From the **Sort by** list, select the sort order.
7. Optional: Type a range of values in the **Starting value** and **Ending value** boxes.
8. Click **OK**.

Item ID	Description	Month to Date				Year to Date			
		Frequency	Sales	Cost	Profit	Frequency	Sales	Cost	Profit
SUP SUPPLIES									
09626	Buster Collar #25	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09627	Buster Collar #30	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
04256	Canine Pregnancy Test	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09621	Custom Care Collar #12	0.00	\$0.00	\$0.00	\$0.00	9.00	\$135.00	\$0.00	\$135.00
09623	Custom Care Collar #17	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09625	Custom Care Collar #23	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09624	Custom Care Collar #30	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09620	Custom Care Collar #6	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
08542	Feeding Tube 14 ft x 16	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
05934	Feeding Tube 14 ft x16	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09420	Feline FeLV - FIV Test	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09460	Feline Leukemia Test Kit	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
99998	General Health Profil 2test	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09423	Heartworm Test	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
01234	Home Again Chips	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09426	Parvo Test	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
99999	PresAnes Panel 4Test	0.00	\$0.00	\$0.00	\$0.00	1.00	\$0.00	\$59.08	(\$59.08)
08667	Preventef Collars Feline	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
08666	Preventef Collars Canine	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
026130	Solu Delta Cortef 500mg 10ml	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
09692	Vicryl 1/4"	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
VAC VACCINES & BIOLOGICALS									
10444	Canine Lepto Vaccine	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
01020	DA2ppvCv	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
		0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00

Report Title: Inventory—Turnover Report

Report Description

The Turnover Report helps track how many times inventory completes a cycle of being received or sold.

 End of Month (EOM) must be processed at least twice to have date selections.

 This report only includes items set to track QOH.

Sort Order and Range

Sort Order

- Item Description
- Class ID

Range

- Beginning Period Date Processed
- Ending Period Date Processed

Report Fields

- Class: The unique identifier and description of a classification.
- Item ID: The unique identifier for each invoice item.
- Description: The name of the invoice item (hospital description).
- Beg. QOH: The beginning quantity on hand for the item.
- Received: The quantity of items received into inventory.

Directions to Run the Report

1. On the menu, select **Reports > Inventory**.
2. On the Reports Search window, select **Turnover Report**.
3. Click **Create Report**.
4. On the Inventory Reports window, select **Turnover Report**.
5. Click **Run**.
6. From the **Sort by** list, select the sort order.
7. Optional: Type a range of values in the **Starting value** and **Ending value** boxes.
8. Click **OK**.

Inventory - Turnover Report								
Sorted By Item Description								
From: Sunday, July 30, 2006 9:19:45 PM To: Thursday, January 21, 2010 11:25:46 AM								
Item ID	Description	Beg. QOH	Received	Adjusted	Returned	End QOH	Turnover	
08129	Bac/Neo/Poly/HC Ointment 3.5g	-3.00	2.00	0.00	0.00	-1.00	-0.00	
04023	3V Caps Med/Lge Breed 60ct.	1.00	0.00	0.00	0.00	1.00	0.00	
04026	3V Caps SM-Med Breed 60ct.	2.00	0.00	0.00	0.00	2.00	0.00	
05670	a/d Canine/Feline Can 5.5 oz	92.00	0.00	0.00	0.00	91.00	0.01	
02801	Acepromazine 10 mg	246.00	0.00	0.00	0.00	246.00	0.00	
02802	Acepromazine 25 mg	262.00	0.00	0.00	0.00	262.00	0.00	
08714	ADL Foaming Ear Cleaner Roz.	3.00	0.00	0.00	0.00	3.00	0.00	
08643	Advantage Canine Blue over 55lbs	15.00	0.00	0.00	0.00	15.00	0.00	
08640	Advantage Canine Green 0-10lbs	12.00	0.00	0.00	0.00	12.00	0.00	
08642	Advantage Canine Red 21-55lbs	6.00	0.00	0.00	0.00	6.00	0.00	
08641	Advantage Canine Teal 11-20lbs	9.00	0.00	0.00	0.00	9.00	0.00	
08644	Advantage Feline Orange <9lbs	31.00	0.00	0.00	0.00	31.00	0.00	
04520	Advantage Feline Orange <9lbs -6mo	10.00	0.00	0.00	0.00	10.00	0.00	
08645	Advantage Feline Purple >9lbs	10.00	0.00	0.00	0.00	10.00	0.00	
09455	Advantage Feline Purple-9lbs -6mo	5.00	0.00	0.00	0.00	5.00	0.00	
04045	Advantage K-9 Blue >55lbs 6month	9.00	0.00	0.00	0.00	9.00	0.00	
04046	Advantage K-9 Green <10lb 6month	10.00	0.00	0.00	0.00	10.00	0.00	
04504	Advantage K-9 Red 21-55lbs 6month	6.00	0.00	0.00	0.00	6.00	0.00	
04950	Advantage K-9 Teal 11-20lbs 6month	14.00	0.00	0.00	0.00	14.00	0.00	
08013	Ak-Trol Ointment Neo/Poly/Dex	13.00	0.00	0.00	0.00	13.00	0.00	
02205	Albon 125 mg	235.00	0.00	0.00	0.00	235.00	0.00	
02206	Albon 250 mg	261.75	0.00	0.00	0.00	261.75	0.00	
02207	Albon 500 mg	441.50	0.00	0.00	0.00	441.50	0.00	
2204	Albon Syrup - 1 ounce	12.00	0.00	0.00	0.00	12.00	0.00	
		3.00				3.00	0.00	

Based on the report findings, determine targets to use for the remaining lessons.

Targets can be:

- Classifications of items
- Locations
- Specific invoice items

Once the target is established, set goals that will improve QOH, cost, profitability, and/or turnover.

The following action items can lead to goal achievement:

- Fix setup.
- Reduce the quantities on the shelves.
- Make sales price adjustments.
- Remove items from the shelves and stop selling those items or revise your selling strategy.
- Do nothing (if metrics for quantity, cost, turns, and margin are reached).

Chapter Summary

You learned these important concepts in this chapter:

- **Importance of Accurate Inventory Management**—Learn to identify inventory performance components and set goals.
- **Experiences and Goals**—Based on your inventory experiences, set practice goals for Cornerstone inventory.
- **Inventory Performance Benchmarking Sources**—Use inventory performance benchmark sources to determine if your goals fall within the benchmark standards and to compare your current methods for determining and identifying problematic inventory.
- **Inventory Cost and Quantity Work Flow Overview**—Learn how Cornerstone transactions affect inventory cost and quantity.
- **Identify Performance Improvement Target**—Use provided reports to view cost and quantity transaction information over a period of time to determine target points for performance improvement.

Quantity Troubleshooting and Goals

You'll learn these important concepts in this chapter:

- **Item Setup**—Learn the factors to consider and review to maintain accurate inventory quantities and maximize profitability.
- **Quantity Troubleshooting Checklist**—Determine the areas that can cause quantity issues within your Cornerstone* inventory.
- **Quantity Troubleshooting Reports**—Determine the reports that the practice can use to determine discrepancies within your Cornerstone inventory.

ITEM SETUP

Invoice Item—Reorder Points, Buy/Sell Ratios, Expiration Date/Lot Tracking, and Linked Items

Maintaining accurate quantities on hand is especially challenging. Maintaining a lean* inventory (\leq a 30-day supply on hand) without running into shortages maximizes profitability; however, attaining this goal takes careful and diligent monitoring.

When quantities on hand are incorrect, one or more of the following factors must be considered and reviewed:

- Item setup
- Invoicing
- Ordering
- Receiving
- Internal use
- Returns
- Adjustments
- Shrinkage

QUANTITY TROUBLESHOOTING CHECKLIST

Use the following checklist to manage inventory quantities.

Area	Guideline	Explanation/Example of Potential Problem	Common Trouble Categories or Invoice Items	Cornerstone Report
Item Setup	<input type="checkbox"/> Clear descriptions	Include the smallest sell unit in the description. For some, also include the normal sell package.	Heartworm/flea/tick prevention pharmaceuticals Rimadyl® 75 mg 90 ct bottle, Rimadyl 75 mg tablet	Report > Invoice Item > Invoice Item Setup Report Range: Type I
	<input type="checkbox"/> Correct buy and sell unit of measure (UOM) set up	Example: Buy ratio set up incorrectly as 1 bottle = 1 tablet.	Receive a bottle of 1 tablet when actually 100 ct bottle. Receiving and ordering default setting is "buy UOM."	Inventory Evaluation Report
	<input type="checkbox"/> Quantity on hand (QOH) tracking	Items marked to maintain QOH are not being received into inventory but are being invoiced to a client. Example: Single dose of flea preventative invoiced to client but not entered on inventory receipt.	Items with same strength Different sizes of foods Heartworm/flea/tick prevention pharmaceuticals	Inventory Counts Report
	<input type="checkbox"/> Reorder and overstock points	Reorder levels and quantities based on incorrect buy/sell ratios or sales history not used to determine ideal levels.	Seasonal items Allergy medications Heartworm/flea/tick prevention pharmaceuticals	View on inventory setup tool window Inventory Evaluation Report
	<input type="checkbox"/> Linking of QOH items not invoiced	Example: PureVax® rabies dose is marked to maintain QOH but dose is not linked to feline rabies vaccination service.	Vaccine inventory linked to vaccine service Injectables In-house lab items	Inventory Linked Items Report
Invoicing	<input type="checkbox"/> Incorrect quantities invoiced to client	Example: 10 tablets invoiced as 1.	Canned foods Items sold individually and in bottle package	Inventory Sales (EOP) report
	<input type="checkbox"/> Incorrect item invoiced to a client	Example: Feline C/D 10 lb bag invoiced as canine C/D 10 lb bag.	Species-specific item Size, strength Flea/tick prevention pharmaceuticals Foods	Invoice Item report Invoice Item Sales Report (no species on sales reports)
	<input type="checkbox"/> Client returned items not invoiced	Returned items are not invoiced with a negative quantity.	Any item returned by client and resold; typical—canned food, unopened flea/tick/heartworm	No report
	<input type="checkbox"/> Patient Visit List and saved invoice	Items are not marked as 'Performed' on the Patient Visit List (PVL). Inventory details are not verified on the PVL. Saved invoices are not deducted from QOH if inventory details are not verified.	Any items when details do not auto-verify	Inventory Open Audit Details report EOP—Patient Visit by Type List

Area	Guideline	Explanation/Example of Potential Problem	Common Trouble Categories or Invoice Items	Cornerstone Report
Ordering	<input type="checkbox"/> Incorrect amounts placed on order	Incorrect reorder and/or overstock points. Incorrect buy/sell ratios.	Seasonal items Returned items Food Heartworm/flea/tick prevention pharmaceuticals	Inventory Evaluation Report
	<input type="checkbox"/> Ordering based on reported QOH	Reported QOH is not current.	Any item where QOH tracking not set up or used correctly	Inventory Counts Report
Receiving	<input type="checkbox"/> Posted incorrect quantity on inventory receipt	Example: Posted 1 instead of 10 units (posted to sell UOM rather than buy UOM; 1 tablet instead of 1 bottle of 100 tablets).	Any items where package size varies	Inventory Receipt Report Inventory Purchase History Report
	<input type="checkbox"/> Receipts not posted	Receipts only saved, not posted. Note: Only posted receipts update the QOH.	N/A	Inventory Receipt Report Inventory Partial Receipt Report
	<input type="checkbox"/> Receipts not entered in a timely manner	Late entry of inventory causes incorrect counts.	N/A	No report
Internal Use	<input type="checkbox"/> QOH reports lower than on shelves	Duplicate transactions entered.	In-house QOH used items Catheters Fluids Food Medications	Inventory Internal Usage Report
	<input type="checkbox"/> QOH reports higher than quantities on the shelves	Items used internally not entered and/or communicated		
	<input type="checkbox"/> Incorrect quantities recorded or quantities entry error			
Returns	<input type="checkbox"/> Incorrect quantity returned	Example: Returned 10 tablets instead of 100 tablets (defaults to sell UOM).	Buy/sell ratios incorrect	Inventory Returns Report
	<input type="checkbox"/> Incorrect UOM selected and quantity returned not changed appropriately	Example: Return qty defaults to QOH and sell UOM. Changed to buy UOM and quantity not changed.		

Area	Guideline	Explanation/Example of Potential Problem	Common Trouble Categories or Invoice Items	Cornerstone Report
Adjustments	<input type="checkbox"/> Wrong quantity entered <input type="checkbox"/> Incorrect Item adjusted <input type="checkbox"/> Multiple entries for same item in period because multiple people are doing the same task	<p>Incorrectly entered quantity to be adjusted.</p> <p>Wrong cost amount adjusted.</p> <p>Too many people with access who are not checking adjustment report priority.</p>	Adjustments—any item can be an issue	Inventory Adjustment Report
Shrinkage	<input type="checkbox"/> Unaccounted for QOH variances	Items given to client without being invoiced; broken or damaged items not deducted from inventory; theft.	Food Heartworm/flea/tick prevention pharmaceuticals	Inventory Adjustment Report (look at user ID) Internal Usage Report

QUANTITY TROUBLESHOOTING REPORTS

Look for discrepancies—is the reported QOH always too low or too high?

Before you begin, run the Inventory Counts Report, sorting by location ID, class ID, or item description.

If QOH is Low:

- Review the item set up, including linked items.
 - Use the Inventory—Evaluation Report and the Inventory—Linked Items Report.
 - Are items “over linked”—depleting too much?
Example: Bordetella vaccine service is linked with both intranasal and injectable bordetella inventory items.
 - Are items marked QOH, but not being received into inventory?
Example: Single dose, 6 ct. and 12 ct. Heartgard® are separate invoice items, all tracking QOH, but only 6 and 12 counts are received into inventory.
- Evaluate use:
 - Sales**—Returned items not being invoiced; invoicing correct product but client given wrong product.
Example: canine I/D, feline I/D.
 - Use the Invoice item Sales Information Report and the Audit Report (for linked items).
 - Purchases**—Receipts are not entered; receipts are saved but not posted; the wrong quantity was received.
 - Use the On Order Report, Audit Report, and Receipt Report.
 - Internal Use**—Duplicate entries exist and items are reported but not removed from the shelf.
 - Use the Internal Usage Report.
 - Adjustments**—Duplicate entries exist and incorrect adjustments were made.
 - Use the Adjustment Report.
 - Other**—Patient Visit List (PVL) items (also duplicate PVL items with invoice for same item already posted) with a Performed status that have verified inventory details; saved invoices with items that have verified inventory details that are deducted from QOH and should not be included in physical counts.
 - Use the Open Audit Details Report (only items with verified details).
- Make adjustments. With the invoice item set up, enforce tighter protocols for entering of receipts, internal use, and review of PVLs. Look before making QOH adjustments!

If QOH is High:

1. Review the item set up, including linked items.
 - Use the Inventory Evaluation Report and the Inventory Linked Items Report.
 - Are items “under linked”—not being depleted?
Example: Bordetella vaccine service is not linked with bordetella inventory item.
 - Are items marked QOH being received into inventory but not being invoiced or used internally?
Example: Bandage material is received into inventory but is not invoiced to a client, linked to other items/ services being invoiced, or internally used.
2. Evaluate use.
 - **Sales**—Does the item have sales history?
 - Use the Invoice Item Sales Information Report.
 - Use the Audit Report (for linked items).
 - Use the Cost of Goods Sold Report (for QOH tracking items only).
 - **Purchases**—Duplicate receipts entered or wrong quantity received.
 - Use the On Order Report, Audit Report, or Receipt Report.
 - **Internal use**—Items used but not reported.
 - Use the Internal Usage Report.
 - **Adjustments**—Unconfirmed or incorrect adjustments made.
 - Use the Adjustment Report or view the Inventory Adjustment List.
 - **Other**—PVLs with items:
 - Not at the Performed status
 - Inventory details not verified
 - Saved invoices with items with unverified inventory details are not deducted from QOH.
 - Use the Open Audit Details Report (only items with verified details)
3. Make adjustments. With the invoice item set up properly you need tighter protocols to for:
 - Entering receipts
 - Internal use
 - Reviewing Patient Visit List items

Remember to look before making QOH adjustments!

Chapter Summary

You learned these important concepts in this chapter:

- **Item Setup**—Learn the factors to consider and review to maintain accurate inventory quantities and maximize profitability.
- **Quantity Troubleshooting Checklist**—Determine the areas that can cause quantity issues within your Cornerstone inventory.
- **Quantity Troubleshooting Reports**—Determine the reports that the practice can use to determine discrepancies within your Cornerstone inventory.

Cost/Price Troubleshooting and Goals

You'll learn these important concepts in this chapter:

- **Cost and Pricing**—Develop strategies for inventory cost and pricing for your practice using the IDEXX Cornerstone* Practice Management System.
- **Common Issues**—Learn the common issues associated with inventory cost and pricing for your practice.

COST AND PRICING

Inventory cost is the second largest expense of veterinary hospital operations. Keeping costs down and creating pricing strategies that are reasonable in today's economy are critical. As costs increase, so must fees.

When developing pricing strategies based on costs, keep in mind the three components of cost:

- **Unit cost**—The price paid for the item, plus tax and shipping when applicable. Cornerstone uses only the price paid in tracking cost.
- **Ordering cost**—The labor cost to review, place, receive, and document inventory. (15-20%)
- **Holding cost**—The cost of keeping inventory until it is sold—property taxes, storage, insurance, and anti-theft measures. (8-25%)

This means that pricing should be based on total cost, not just "unit." Holding and ordering costs can add 25-40% to unit cost. The longer a product sits on the shelf, the higher the holding cost. When calculating dispensing fees and/or markup, consider these additional costs.

Cost and pricing discrepancies can be allotted to:

- Invoice item set up
- Receipting
- Returns to vendor
- Adjustments

COMMON ISSUES

There are several common issues associated with cost and pricing.

Invoice Item Setup

- Prices are not updating based on new costs.
Example: Invoice items not set up with auto-calculate price and/or markup percentage.
- Prices (client prices) are changed frequently on invoices.
Example: Price change allow settings.

Receipting

- Incorrect cost entered.
Examples: Cost entered based on wrong UOM (sell vs. buy); receipt total is not verified before posting.
- Last cost listed as zero.
Example: Items received at no charge were not marked as "special price."
- Returns to vendor.
- Cost of returned product is incorrect.
Examples: Higher priced items returned but cost not changed from default (default is the last vendor cost). Returns default to sell UOM; changed to buy UOM and changed the quantity but did not update the return price for buy.

Cost Adjustments

Examples: Incorrect cost adjustment entered; cost adjustment of \$1.50 entered as total cost instead of average cost.

Use these reports to watch for these common issues:

- Inventory—Cost Report looks at Average Cost = Total Cost (QOH x average cost) / total QOH.
- Cost of Goods Sold Report lists the cost (based on average cost at time of invoice), net sales, gross profit, and margin.

To review items needing cost adjustments:

1. Run the Inventory—Cost Report (sort by item description, class ID, or location ID).
2. Focus on the target item (set in range values).
3. Review the report for off-scale costs (extreme lows/highs).
4. Review the report for missing or low markup percentage.**



Negative costs will not appear on the report.



You can also view cost on hand in the **Total Cost** column on the View Quantity on Hand window, including items with a negative QOH and/or cost.

** Use the Inventory—Evaluation Report to determine which items have the auto-calculate price feature turned off or on. The **Auto-calculate price** check box must be selected (**Info** tab on the Invoice Item Information window) for prices to auto-calculate based on cost and markup percentage.

Discussion: Discrepancy discussion points

Cost High

- When received, cost and/or UOM was entered incorrectly; special pricing was not used.

Cost Low

- Incorrectly entered on receipt by cost and/or UOM; item new to QOH tracking and only QOH adjustment made and cost never adjusted.

Negative Cost

- Negative cost will not appear on report, regardless of QOH; the cause is usually negative QOH. Alternately, review the End of Month—Cost of Goods Sold Report for off-scale costs for items that have been sold.



Negative costs/QOH can be viewed on the View QOH window.



The Inventory—Cost Report updates immediately after any QOH or cost adjustments.



- Perform cost adjustments after verifying QOH is correct.
- Cost adjustments affect current month cost of goods sold and inventory item profitability reports and will take at least one full EOM closing to normalize. The Inventory Item Profitability YTD column will take a year to normalize.
- Review the Invoice Item Price Information Report to see when pricing setup (base, dispensing, or minimum) was changed. Sort order is: Invoice Item Description or Invoice Item ID only.
- Use the Standard Fee Exception Report (EOD reports) to see which item prices are being changed on invoices.

Chapter Summary

You learned these important concepts in this chapter:

- **Cost and Pricing**—Develop strategies for inventory cost and pricing for your practice using the IDEXX Cornerstone* Practice Management System.
- **Common Issues**—Learn the common issues associated with inventory cost and pricing for your practice.

Profitability/Margin Troubleshooting and Goals

You'll learn these important concepts in this chapter:

- **Profitability and Margin**—Learn how profitability and margin are key indicators to a practice's performance.
- **Factors Affecting Profitability**—Determine the key factors that affect a practice's profitability.

PROFITABILITY AND MARGIN

Inventory is an asset, and a practice should see a reasonable return on that investment. To maximize profits, costs must be kept low and items must be sold in a timely manner. Profitability is a key performance indicator that needs to be closely measured and managed.

For inventory purposes, we define profit and margin as follows:

- **Profit** is sales less cost.
- **Margin** is the percentage profit of sales.

FACTORS AFFECTING PROFITABILITY

Item Setup

- **Allow Change Settings**—Set up items with smaller margins should be set to either the Never option or the Only Increases option.
- **Price Change Reasons List**—Set up items to track why prices are changed by selecting the Only with Reason option.
- Use the Standard Fee Exception report (an end-of-day report) to review reasons per price change, by frequency, or by staff.
- **Prices**—Set up prices to automatically calculate.
- **Markup Percent and Margins**—Markup percentage and margins must be set appropriately.

Cost

- Receipts entered in a timely manner and are entered correctly for costs and UOM.
- Cost adjustments.

Invoicing

- Discounts diminish profitability.
- Manually lowering prices.
- Quantities not accurate on invoice. (Prescription quantity 1 warning provides a good counter-measure.)

The Cost of Goods Sold Report lists net sales (less discounts and manually changed prices) and includes dispensing fees.

 Inventory—Items Profit Analysis Report lists gross sales (does not factor discounts or manually changed prices) and includes dispensing fees.

 Cost adjustments affect profit analysis and cost of goods sold reports. Items sold (invoiced) looks at current average cost at time of invoice. Profit analysis and cost of goods sold (current period) update after EOD is processed.

Example:

- 20 tabs at current average cost of \$1 are invoiced.
- Cost adjustment afterwards changes average cost to \$1.25.
- Cost of goods sold for the current period after EOD run; cost for 20 tablets sold is \$20.
- Another 20 tablets sold. Next day's Cost of Goods Sold Report show cost for 40 tablets is \$45 (average of cost of 20 at \$1 and 20 at \$1.25).

To review inventory items for profitability:

1. Run the Cost of Goods Sold, by Class, Item Report for last closed month (range of class ID or item ID).
2. Review for off scale costs, profit, and gross margins.

Discussion: Discrepancy discussion points

Quantities

- Fractional amounts for tubes, bottles, tablets, bags, etc. Possible workaround by staff of price change, minimum price, and discount restrictions.

Net Sales

- Includes dispensing fees, discounts (preset and manual), and manually changed prices.

Cost

- Off scale costs: very high, very low or negative.

Profit

- Sales less cost as a dollar value. Profit is affected by skewed sales and/or costs.

Gross Margin

- The percentage profit of sales. Skewed sales and/or costs will affect this calculation.



Do not confuse with markup percentage on Invoice Item Setup window.

Example: \$100 in sales with \$50 in costs (100% markup) is a 50% margin.

Percent of Gross Profit

- The percent of total profit for all goods sold.

Chapter Summary

You learned these important concepts in this chapter:

- **Profitability and Margin**—Learn how profitability and margin are key indicators to a practice's performance.
- **Factors Affecting Profitability**—Determine the key factors that affect a practice's profitability.

Turnover Troubleshooting and Goals

You'll learn these important concepts in this chapter:

- **Turnover**—Learn how turnover is calculated and what activities in the IDEXX Cornerstone* Practice Management System affect your practice's turnover.
- **Factors That Can Affect Turnover Rates**—Determine the key indicators that affect turnover and, ultimately, your practice's performance. Learn how to decipher turnover discrepancies (what causes low turnover or high turnover).

TURNOVER

Inventory sitting on the shelf is not profitable. Inventory turnover is a key indicator of inventory performance. Turnover is calculated from processed EOM periods and is a culmination of all inventory functions: purchases, returns, internal use, and adjustments. An accurate QOH (at all times) is essential to extract valid information from the Inventory—Turnover Report.

Inventory turnover is calculated based on these activities and compared from a beginning to an ending period:

- Purchases
- QOH adjustments
- Returns to vendor
- Internal stock use (deducted from ending QOH)
- Sales (deducted from ending QOH)

As a goal, 8–12 turns per year is ideal. Not all items will achieve this turn rate, as 20% of your inventory brings in 80% of inventory revenue. Fewer turns per year increases holding costs. More turns per year is not necessarily profitable as it increases ordering costs.

Turn = How many times inventory completes a cycle of being received and sold.

Turnover Equation:

$$\frac{(\text{Beginning QOH} + \text{Qty Received} + \text{Qty Returned to Vendor} +/- \text{Qty Adjusted} - \text{Ending QOH})}{\text{Avg QOH}}$$

$$\text{Avg QOH} = (\text{Beginning QOH} + \text{Ending QOH}) / 2$$

FACTORS AFFECTING TURNOVER RATES

Invoice Item Setup

- Tracking quantity on hand (QOH). Is QOH being correctly deducted (single, 6, 12 example)?
- Reorder quantity/overstock is too high—purchasing quantity is too high.

Adjustments

- Errors in adjusted quantities.
- Adjustments not confirmed.

Returns

- Returns not processed through the Cornerstone software.
- Wrong quantities returned (UOM changed).

Internal Usage

- Internally used/consumed items taken off shelves and not reported or invoiced.
- Incorrect QOH entered; duplicate entries.

Invoicing

- Incorrect quantities are listed on invoices.
- Invoices are saved without verifying inventory details.
- PVLs that include items that are not performed or with inventory details not verified.

To review turnover for inventory items:

1. Run the Inventory—Turnover Report.
2. Sort by item description or class ID.
3. Use beginning periods and ending periods that encompass a three-month (quarterly) period.
4. Look at target items used throughout course—are turn rates at 2-3 per quarter? (Calculated by 8-12 turns year goal / 4.)

Discussion—Discrepancy discussion points

Turns too low:

- Large quantity received during the month (bulk purchase).
- Seasonal variances—look at items over a 12 month period.
- Adjustments (increasing QOH).
- PVL/saved invoices without verified inventory details.
- Internal use not recorded.
- Voided invoices; returned items on invoices.

Turns too high:

- Frequent ordering (small quantities).
- Seasonal variances.
- Adjustments (reducing QOH).
- Returns to vendor.
- Receipts saved but not posted.

Chapter Summary

You learned these important concepts in this chapter:

- **Turnover**—Learn how turnover is calculated and what activities in the IDEXX Cornerstone* Practice Management System affect your practice's turnover.
- **Factors That Can Affect Turnover Rates**—Determine the key indicators that affect turnover and, ultimately, your practice's performance. Learn how to decipher turnover discrepancies (what causes low turnover or high turnover).

Appendix

INVOICE ITEM SETUP LIST

Information Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
ID	The unique ID assigned to each invoice item ID. This ID can automatically be assigned by the computer or you can create your own using alpha and/or numeric characters.	R	R	R	R	R	
Type of Invoice Item <i>(Inventory, Service, Group, Pick, Dispensing)</i>	Categorizes the invoice items and controls which fields are now available for setup and modification.	Selection Required (Choose One)					
Hospital description	How do you want to look up this item and have it listed in medical history?	R	R	R	R	R	
Client description	How do you want this item to appear on an invoice, estimate, or reminder card? If you leave the client description blank, it will automatically use the hospital description.	O	O	O	O	O	
Classification - Primary	Used for invoice item searching, reporting selection, travel sheet management, creating pick lists, mass markup selection for mass price/tax/discount/dispensing changes, General Ledger manual extract, and staff commission exceptions.	R	R	R	R	R	
Classification - Subclass	Used for invoice item searching, reporting selection, travel sheet management, creating pick lists, mass markup selection for mass price/tax/discount/dispensing changes, and staff commission exceptions.	O	O	O	O	O	
Default revenue center	Used during invoicing. If the invoice item doesn't have a default revenue center assigned, then Cornerstone* looks at the invoice item's classification revenue center. If nothing is assigned there, then Cornerstone looks at the staff on the invoicing line. Revenue centers for invoice lines can be changed at the time of invoicing. Revenue centers are used in reports such as the monthly report Serv. and Inv. Sales by Revenue Center – Class Desc.	O	O	O	O	O	
Sell barcode	If you have a bar code scanner, list the barcode for the buy and/or sell unit of measure.	O	O	O	O	NA	
Status (Active or Inactive)	Mark an invoice item as inactive only when you have discontinued use of the item and do not want it to display on lookup lists related to invoicing.	R	R	R	R	R	
Miscellaneous item	Select this check box only if you want your staff to have the ability to overwrite the description while invoicing. Recommendation: Do not use for inventory items.	O	O	O	O	O	

Information Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Controlled substance	Select this check box to track the item on the Controlled Substance Report.	O	NA	NA	NA	NA	X
Hazardous/MSDS	Select the Hazardous check box if the product is considered hazardous. If you select Hazardous , select MSDS if your practice has the product's Materials Safety Data Sheet required by law.	O	NA	NA	NA	NA	X
Unit of measure	Select the selling unit of measure from the drop-down list. If you don't want to use a unit of measure, then select [None]. If this item is marked to maintain QOH, the UOM should be the lowest unit administered or dispensed. If the UOM is not on the list of options, close out of the window, and select Controls > Units of Measure to set it up.	R	NA	NA	NA	NA	X
Minimum price	Type the minimum price to charge the client. This price displays on the invoice until the invoice item's (quantity x price) + dispensing fee equals the base price located in the Amount field to the right. Then the item is priced as usual.	O	O	NA	NA	NA	
Dispensing fee	Included in the price of the item when the item is invoiced.	O	NA	NA	NA	O	
Override the inventory price and apply only the dispensing item fee	When the type of invoice item is Dispensing, select this check box to override the inventory price and use only the dispensing item fee.	NA	NA	NA	NA	O	
Omit dispensing fee for multiple patients	Select this check box to charge the dispensing fee only once per invoice.	O	NA	NA	NA	NA	X
Dispensing	Click this button to open the Dispensing Information window, where you can select an invoice item that is linked to another inventory invoice item record. Allows you to add an additional amount or percentage of price to an item. Item price and dispensing item price are combined as one on invoice to display only one item price. Note: When a dispensing fee is selected, the button displays Dispensing... Select the Allow All check box to allow staff to click Show All , which allows them to see all dispensing fees for selection when entering charges.	O	NA	NA	NA	NA	X
Estimate markup	Type the percentage used to estimate the high price range on estimates for this item.	O	O	NA	NA	NA	

Information Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Auto calculate price	If the vendor has increased your cost, the item will be marked up appropriately when the order is received. (The item will never be marked down.) If you have selected this option, specify to calculate by Percentage, or Dollar Amount. If an amount does not calculate evenly, select the amount to Round To.	O	NA	NA	NA	NA	X
Base	Type the price to charge the client in the Amount field based on the quantity listed in the Qty field to the left. Calculation: Cost x Markup + Cost = Selling Price Example: A can of food is sold for \$2.00 each, but, if the client buys a case of 12 cans, they are charged \$1.85 per can for the case. In the Base Amount field, the price would be \$2.00; the next line would list 12.00 in the Qty field with \$1.85 in the Amount field. If the client buys 13 cans, the client would still be charged \$1.85 per can.	Can be zero					
Allow change	Always allows the price to be overwritten. Never does not allow the price to be overwritten unless the user has administrator security privileges. Only increases allows the price to be increased, never decreased. Administrators are not limited by this price change reason. Only with reason allows the price to be changed, but a reason must be entered for the change. To use this option, you must create a list of price change reasons. When a price is changed the reason will print on the Standard Fee Exception Report, along with the staff who changed the price. (Recommended) Require change always forces the price to be changed. This safeguard is used in cases where the price fluctuates and ensures that the correct price is charged. The item price must be set to zero.	R	R	NA	NA	NA	

Instructions Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Departing instructions	Prints at the end of the invoice. Press F2 or double-click in the ID field to select an instruction. This instruction displays when creating the invoice, but it can be changed on an individual basis.	O	O	NA	NA	O	
Prescription instruction	Prints at the end of the invoice. Press F2 or double-click in the box to select the instruction.	O	O	NA	NA	NA	
Pharmacy link information	Available with purchase of the Veterinary Pharmacy Reference® module. This is used to link the invoice item with the generic drug name in the module. The result is the ability to calculate dosages and receive interaction information.	O	NA	NA	NA	NA	X

Reminders Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Reminders to Generate Letter	To set up an invoice item to generate a reminder postcard or a call back and to satisfy letter reminders, use the Reminders tab.	O	O	NA	NA	NA	
Reminders to Satisfy							

Tax/Disc Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Sales tax to apply	If this is a taxable item, highlight the appropriate sales and usage taxes. If discounts apply to this invoice item, select all discounts that apply. When this invoice item is used, the sales taxes, usage tax, and discounts are automatically applied if the client is set up to accept tax or a particular discount. Tax and discounts can be changed at the time of invoicing. Do not select Not Taxable .	O	O	NA	NA	O	
Usage tax to apply							
Discounts to apply							

Inventory Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
From and To	If the item is seasonal, change the months for which the information is valid and enter the Reorder Pt, Reorder Qty, and Overstock Qty for each period. If the item is not seasonal, type the information for the January to December period.	O	NA	NA	NA	NA	
Reorder Pt.	The number of doses at which the reorder should be placed.	O	NA	NA	NA	NA	
Reorder Qty.	How many units should be reordered.	O	NA	NA	NA	NA	
Overstock Qty.	The number of units in inventory after which additional units would be considered overstock. This is the maximum number of units you want to have in the practice.	O	NA	NA	NA	NA	

Vaccine Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Issue vaccination tag	Vaccine tags to encompass all types of vaccinations, including rabies and large animal vaccines (e.g., Brucellosis vaccinations).	O	NA	NA	NA	NA	X
Rabies tag	Select this check box if this vaccine is for a rabies tag.	O	NA	NA	NA	NA	X
Producer/Mfg:	The producer/manufacturer for the vaccine. This ties the information directly to the product being administered.	O	NA	NA	NA	NA	X
Brand	The brand of vaccine. This ties the information directly to the product being administered.	O	NA	NA	NA	NA	X
Type	Select the type of vaccine: Killed, MLV (modified live virus), Recombinant, Other, or <None>.	O	NA	NA	NA	NA	X
Administration by species	You can now set up the most frequently used Manner of Administration/Years combinations for each species.	O	NA	NA	NA	NA	X
Manage List	Click this button to open the Manner of Administration/Years window, where you can add, delete, and manage the combinations of administration/years.	O	NA	NA	NA	NA	X
Available lot numbers and expiration dates	You can create a list of available lot numbers/expiration dates that will be available to select when creating the vaccine tag.	O	NA	NA	NA	NA	X

Link Items Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Link items	The Link Items tab helps you to maintain quantity on hand for inventory items that are associated with a service item or another inventory item. Linked items are removed from inventory totals as the result of a sale.	O	O	NA	NA	NA	X

Special Actions Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Special actions	Use the drop-down lists to add any special actions associated with this invoice item and indicate when to apply them. Selections include: <ul style="list-style-type: none"> • Feeding Guide Software • Image Request • Lab Request • Mark as Deceased • Prescription Label • Print Document • Sex Modification • Update Microchip ID • Update Vital Signs • Vaccine Tag 	O	O	NA	NA	NA	

Travel Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Travel sheets to appear on	Highlight travel sheets on which you want this invoice item to appear. This can also be accomplished through Lists > Travel Sheets .	O	O	O	O	NA	

Whiteboard Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
Type	The name of the Patient Order item field as it appears in its associated column on the Patient Orders window.	O	O	NA	NA	NA	
Value	The default value to use for this field on the Patient Orders window.	O	O	NA	NA	NA	
Rules	Icons in this column indicate the current “change rules” set for this field. See the corresponding field explanations below for information on these icons.	O	O	NA	NA	NA	

Whiteboard Tab

R=Required Field; O=Optional Field; NA=Not Applicable

Field	Description/Explanation	Inventory	Service	Group	Pick	Dispensing	Inventory Exclusive Field
[Field type] default	Depending on the field type selected on the left, a drop-down list, text box or check box may display, allowing you to specify the default value for this Patient Orders item field. If you want to require staff to enter or select the value at the time the order item is added on the Patient Orders window, set the default value to <Blank>.	O	O	NA	NA	NA	
Quantity	The default value used on the Patient Orders window.	O	O	NA	NA	NA	
When this default is changed on the Patient Orders window	Allows you to select one of the following "change rules" to be followed when this field's value is changed on the Patient Orders window.	O	O	NA	NA	NA	
• Also change the above default	When this field's value is changed on the Patient Orders window, Cornerstone will make the change value the new default value for this file (and automatically update the default value listed on the Whiteboard setup tab). For all fields except Quantity , this is the option that will be selected by default upon installing Cornerstone and when setting up a new invoice item.	O	O	NA	NA	NA	
• Do not change the above default	When this field's value is changed on the Patient Orders window, Cornerstone will not make the changed value (it will leave the default value as it is listed on the Whiteboard setup tab). For the Quantity field, this is the option that will be selected by default upon installing Cornerstone 8.2 and when setting up a new invoice item.	O	O	NA	NA	NA	
Editing permissions	Allows you to select one of the following rules to determine which staff are allowed to edit/overwrite the default value for this field on the Patient Orders window.	O	O	NA	NA	NA	
• All staff may edit	All staff with Patient Orders permissions are allowed to edit/overwrite the default value for this field on the Patient Orders window, regardless of whether they have been granted Whiteboard Orders Override security permissions. This is the option that will be selected by default upon installing Cornerstone and when setting up a new invoice item.	O	O	NA	NA	NA	
• Only staff with security permissions may edit	Only those staff members with Whiteboard Orders Override security permissions in Cornerstone are allowed to edit/override the default value for this field on the Patient Orders window.	O	O	NA	NA	NA	



If a field's default value is set to <Blank> on the **Whiteboard setup** tab and therefore appears blank on the Patient Orders window, all staff with Patient Orders permissions are allowed to enter or select a value for this field, regardless of whether they have been granted Whiteboard Orders Override permissions in Cornerstone.

15 STEPS TO INVENTORY SETUP

- 1. Classifications/Subclassifications (Lists > Invoice Item Class)**

Classifications and subclassifications can be used to categorize invoice items to generate more specific information in reports, to mark up or mark down entire groups of similar invoice items, to narrow invoice item searches, and to create pick lists to use in invoicing. Use this option to add or modify classification and subclassification information.
- 2. Departing Instructions (Lists > Departing Instructions)**

Use departing instructions to explain the patient care after treatment, after surgery, or after administering medications or vaccinations. These educational paragraphs recommend needed services and advise when a return visit is necessary. Invoicing an item that has departing instructions linked will automatically print the departing instructions on the invoice.
- 3. Prescription Instructions (Lists > Prescription Instructions)**

Setting up prescription instructions includes creating a list of instructions and then linking a specific instruction to an invoice item. You can link one (1) prescription instruction per invoice item.
- 4. Units of Measure (Controls > Units of Measure)**

Units of measure are used to designate how invoice items are bought and sold.
- 5. Price Change Reasons (Controls > Price Change Reasons)**

Use price change reasons to specify if invoice item prices can be changed. If prices can be changed, your practice can set up codes to track the reasons prices were changed.
- 6. Vendor Setup (Inventory > Vendors)**

Set up vendors to manage the ordering source for inventory items, placed orders, and received orders. You can link vendors to an individual invoice item.
- 7. Locations (Inventory > Locations)**

Use this feature to designate areas where inventory is being stored. Examples of locations include Pharmacy, Central Storage, Refrigerator A, and Refrigerator B.
- 8. Cost Center (Inventory > Cost Centers)**

Use cost centers to track inventory costs associated with specific areas in your practice for items used within your practice but not invoiced. Examples of cost centers include boarding/kennel, lab supplies, expired drugs, breakage, and truck.
- 9. Adjustment Reasons (Inventory > Adjustment Reasons)**

Adjustment reasons are used to track adjustments of quantity on hand (QOH) within inventory. Examples of adjustment reasons include broken, cycle count, free sample, unaccounted for, expired, and entry error.
- 10. Inactivate Invoice Items Not Used (Lists > Invoice Item)**

Inactivating items not used by the practice will help keep your lists smaller and more pertinent. To inactivate an inventory or service, from the Invoice Item List locate the item and click **Update**. Inventory items must have the **Maintain QOH** check box cleared to be marked as inactive.
- 11. Set up Inventory Items (Lists > Invoice Item)**

Setting up inventory items can take a substantial amount of time. Try to pick a category of inventory (e.g., canned foods or antibiotics) and complete the setup of those items. Setup includes buy/sell ratios, reorder information, and marking the item to maintain QOH for tracking purposes. Most of the details on inventory reports include QOH information.
- 12. Link Inventory Items (Lists > Invoice Item)**

Inventory items can be linked to services or other inventory items. Linking items can be helpful when you do not want items listed separately on invoices. Examples of inventory items to link include canine and feline vaccination services (should have a dose of the appropriate vaccine linked) and the Heartgard® services (should have a Heartgard® product linked).
- 13. Receive Past Invoices (Inventory > Receipt List)**

Enter past invoices from the vendors to allow your facility to see receipt and cost history for the items.
Warning: DO NOT input past invoices after a physical count has been adjusted within Cornerstone, because receiving orders will add to the current quantity on hand.

14. Cycle Count

Physically count the inventory items marked to maintain quantity on hand.

15. Adjust Quantity on Hand, Cost, and/or Expiration Dates (Inventory > Adjustment List)

When you've completed taking a physical inventory, adjust the quantities on hand, cost, and expiration date information.

KEY REPORTS LIST

EOP Reports (items sold)		Frequency	Inventory Reports (all QOH items)	Frequency
EOD	Standard Fee Exception Report	Monthly, as needed ¹	Adjustment Report	Monthly at minimum
			Audit Report	Monthly at minimum
EOM	Cost of Goods Sold	Monthly, as needed from current ²	Audit Open Details Report	Weekly at a minimum
	Inventory Sales Reports (multiple selections)	Monthly	Cost Report	Weekly for target classes, locations
	YTD Net Sales by Type, or by Class	Monthly	Counts Report by Class ID or Location	Daily, weekly for target classes, locations
EOY	Inventory Sales Reports (multiple selections)	Annually, as needed from current	Internal Usage Report	Monthly at minimum
			Items Profit Analysis Report	Weekly for target classes, locations
			Turnover Report	Monthly and quarterly
			Returns Report	Monthly

¹To run a report for multiple days (weeks, months, quarters), select the date at beginning of range, press and hold the **Shift** key, and then select last date to be included. All dates within the first and last dates selected will be highlighted. Preview, print, or save the report.

²For additional sorting options, you may save a report to .csv format. Then, open the saved report in Microsoft® Excel® and select **Filter** to add filters to top of each column. Columns can be sorted by desired fields displayed as high to low or low to high. Any Cornerstone report can be saved in .csv format. Excel is required to open and use the filter options.

INVENTORY TIPS

Determining What and How Much to Order

- Apply the “80-20 rule”. 20% of the products account for 80% of sales or use
- Identify which products comprise the 20% and monitor closely.
- Do not overstock products that make up the 80%
- As a general rule, keep a 30 day supply on hand
- Optimal profitability is 8-12 turns per year
- Use the sales reports to forecast consumption and set your reorder and overstock points accordingly.
- Consider seasonality and set the seasonal reorder and overstock points accordingly (Example: flea prevention products)
- Place large orders on the day after the vendor closes their statements so you have a full month to sell inventory before the statement arrives at the end of the following month. Example: Vendor closes February on Feb. 27th. Place your order on the 28th, and your bill will not be due until the 10th-15th of April.

Determining Markup Percentage

- 100% = 2x cost
- 200% = 3x cost
- 300% = 4x cost

Three Costs Associated with Inventory

- Unit cost = Vendor cost. Ideally this cost should also include shipping, hazardous material fees, and taxes
- Ordering cost = Labor (wage, taxes, benefits) for all inventory functions (research, order, receive, stock, control, vendor relations). It can be 15%-20% of unit cost.
- Holding cost = The cost of keeping inventory on shelf until it is sold (8-25% of Unit cost).

Holding and ordering costs together comprise 25%-40% of unit cost.

- 40% markup would be the break even point for an inventory item.
- Consider lower markups (less than typical 125%-150%) for “shoppable” items. Example: Flea/Tick/HW) or chronic medications, such as Thyroxine or Rimadyl®.

Other Tips

- Minimize bulk purchasing unless the amount purchased can be sold before the bill is due and savings exceeds the additional holding costs.
- Put everything in its place rather than multiple places.
- For every new product added, at least one product leaves.
- Decrease the numbers of alike products (NSAIDS, HWP, flea products, shampoos, etc.)
- Avoid generics—use brand name, veterinary-specific products only to offset human pharmacy offerings.
- Write prescriptions for special order items or items when you cannot compete with prices.

MODIFIED INVENTORY WORK FLOW

QOH In	Inventory Receipts
	Invoice returns
	Adjustment

QOH Out	Invoicing linked items
	Internal Stock Use
	Returns to Vendor
	Adjustments

- **Cost**—Cost associated with obtaining inventory: unit, ordering, holding.
 - Types of cost: vendor, last, average
- **Turns**—Number of times an item completes the cycle of being received to being sold.
- **Margin**—Sales less average cost of inventory sold, divided by sales multiplied by 100%.

Skill Assessment and Evaluation

Improving Inventory Management Performance Skill Assessment

Practice Name: _____

Your Name: _____

Completion Date: _____

Instructions: After completing your training, please read each of the following skill assessment statements and evaluate your ability to perform each task. Mark only one X for each skill statement.

	Can Perform	Can Perform but NOT Using	Cannot Perform	Not Applicable
Inventory Performance Introduction				
1. I understand the inventory workflow.				
2. I can identify methods to determine inventory improvement targets.				
3. I can list inventory performance objectives.				
Quantity Troubleshooting and Goals				
4. I can identify features that deplete an item's quantity.				
5. I can use reports to monitor current QOH.				
6. I can use reports to monitor quantities sold.				
7. I can use reports to determine reorder and overstock points.				
8. I can modify individual inventory items (buy/sell ratio, maintain QOH, reorder information, etc.).				
9. I can perform modifications to multiple inventory items at one time (reorder information, track expiration dates, or lot numbers).				
10. I can adjust quantity on hand.				
Cost/Price Troubleshooting and Goals				
11. I can identify functions that affect cost.				
12. I can determine price based on an item's cost.				
13. I can modify inventory items to calculate and maintain price.				
14. I can use reports to monitor costs and prices.				
15. I can use reports to monitor profitability/margin.				
16. I can perform a cost adjustment.				
Profitability/Margin Troubleshooting and Goals				
17. I can identify functions that affect profitability.				
18. I can use reports to monitor profitability/margin.				
Turnover Troubleshooting and Goals				
19. I can identify functions that affect inventory turns.				
20. I know what ideal turn rates are.				
21. I can use the Inventory Turnover report.				

Results of the Skill Assessment

_____ Can perform

_____ Can perform but not using

_____ Cannot perform

_____ Not applicable

Please return this skill assessment using one of the following methods:

Return this information to:

Cornerstone Education Department at CornerstoneCoach@idexx.com.

Mail this information to:

IDEXX Laboratories

Attn: Cornerstone Education Department/Gina Toman

One IDEXX Drive

Westbrook, Maine 04092

Improving Inventory Management Performance Evaluation

We value your opinion! Tell us what you think about the Improving Inventory Management Performance course.

Practice: _____

Date: _____

Trainer: _____

Feedback received from you regarding the training is vital to our continued improvement.

Course Description

During this course, inventory managers will learn how to identify their Cornerstone inventory management gaps and take steps to improve quantity accuracies, inventory turns, and profitability within their real data files. Key training components are:

- Inventory Performance Introduction
- Quantity Troubleshooting and Goals
- Cost/Price Troubleshooting and Goals
- Profitability/Margin Troubleshooting and Goals
- Turnover Troubleshooting and Goals

1. How likely would you be to recommend an IDEXX Cornerstone course to a friend or colleague?

1 Not Likely..... Likely 10

1	2	3	4	5	6	7	8	9	10
<input type="radio"/>									

2. For us to better understand the opinions of our participants, please explain why you selected the rating above?

3. The prerequisites for this course are:

- Running the current version of Cornerstone installed at the practice.
- Completion of the Implementing Inventory Management course or skill assessment. E-mail CornerstoneCoach@idexx.com for more information.
- Minimum of two full end-of-month closed periods.
- Inventory costs (receipts) and sales (invoicing history) transactions.

Indicate which participants were ready for and met the prerequisites for this course.

Please select all that apply.

- Our practice All other practices Some other practices

Improving Inventory Management Performance Evaluation

4. How was the length of the course?

- Too short
 Too long
 Just right

Additional Comments:

5. Referring to the items listed below, did we meet your expectations:

	NoYes										N/A	
	1	2	3	4	5	6	7	8	9	10		
The course content matched the course description.	<input type="radio"/>											
The course materials were professional looking.	<input type="radio"/>											
The course materials provided contained valuable content.	<input type="radio"/>											
The trainer arrived well prepared and used appropriate examples.	<input type="radio"/>											
The trainer used effective communication skills.	<input type="radio"/>											
The trainer answered all of my questions effectively.	<input type="radio"/>											
As a result of this course we can expand our use of Cornerstone's features.	<input type="radio"/>											
This course provided a good value for the cost.	<input type="radio"/>											

Additional Comments:

6. Did you follow along with the participant workbook during the course presentation?

- Yes**—I followed the participant workbook the majority of the time.
 No—I didn't use the participant workbook.
 Sometimes—I used the participant workbook some, but not most, of the time.

If **No** or **Sometimes**, why not?

Improving Inventory Management Performance Evaluation

7. **What was the most valuable aspect of this course?**
8. **What suggestions do you have for future revisions of this course?**
9. **Using the roles listed, count and record how many participants (from your practice) attended some or all of this course. If someone holds more than one of these roles, record their primary role only.**

Primary Roles	Number of participants with this primary role that attended this course
Veterinarian	
Technician or nurse	
Reception or client services	
Office, practice, or business manager	
Practice owner	
Other (List role and record number)	
Other (List role and record number)	

Thank you! We appreciate your feedback.

Testimonial Permission:

(Please check the box below)

Please have an IDEXX Computer Systems representative contact me to discuss featuring my comments in promotional materials.

Your Name: _____

Practice Name: _____

Practice City, State: _____

Practice Telephone #: _____

Reminder: Please return this evaluation using one of the following methods:

Return this information to:

Cornerstone Education Department at CornerstoneCoach@idexx.com.

Mail this information to:

IDEXX Laboratories
Attn: Cornerstone Education Department/Gina Toman
One IDEXX Drive
Westbrook, Maine 04092

