



Verve Case Study

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Context

- VERVE → Leading pharmaceutical distributor in the Netherlands (1,000+ pharmacies)
- Reduced margins → Pressure from manufacturers & pharmacies
- Rising competition → Online pharmacies & low-cost chains

Challenge and objective

Key Question

- ISM a viable program to avoid being repositioned as a mere logistics subcontractor.

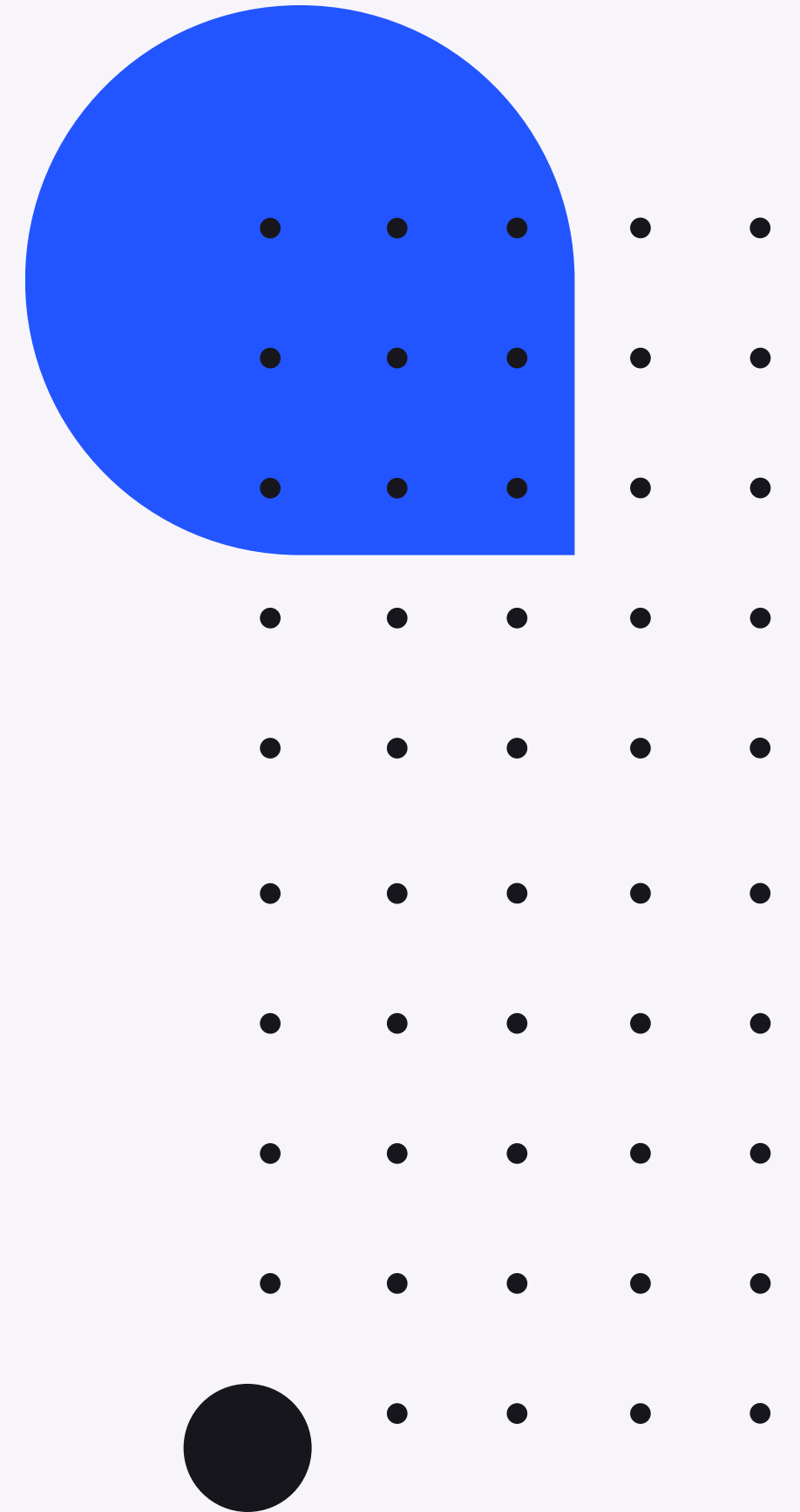
Objective

- Demonstrate the effectiveness of the ISM program (value creation and savings costs)
- Implement a coherent strategy to meet pharmacies' needs.

So : Position VERVE as a strategic partner for pharmacies

The ISM Program

- ISM = Integrated Stock Management
- Optimizing pharmacy inventory management



How it works :

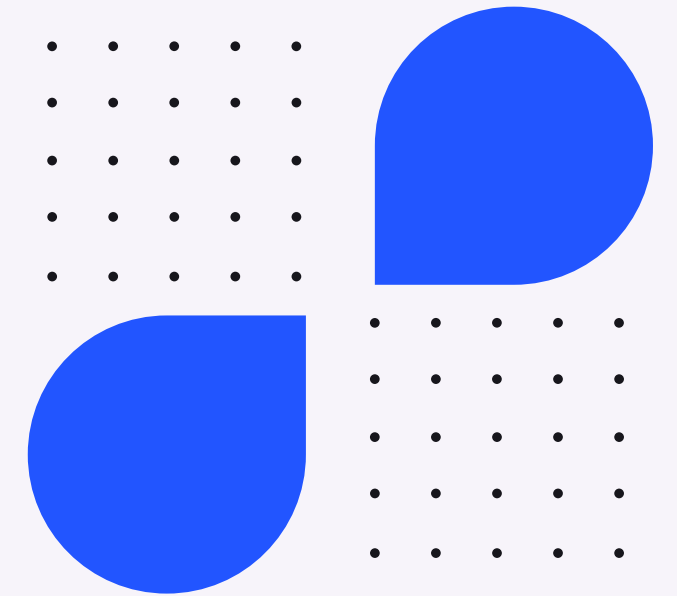
A team of three VERVE experts visits the pharmacy to:

1- Installation and training :

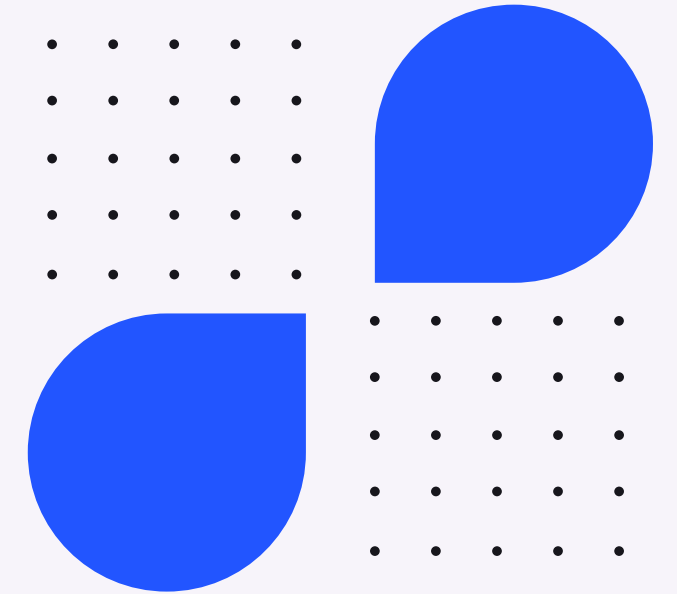
- Analyze the database and inventory management practices.
- Install software with advanced models and an automatic replenishment system.
- Connect to VERVE's EDI network.
- Train staff on usage.

2- Automated order management :

- Real-time inventory tracking and demand anticipation.
- Error reduction through automation.
- Optimized replenishment based on predefined thresholds.



How it works :



After three months, the VERVE team returns to :

- Analyze inventory and performance trends.
- Readjust software parameters to further optimize inventory management.

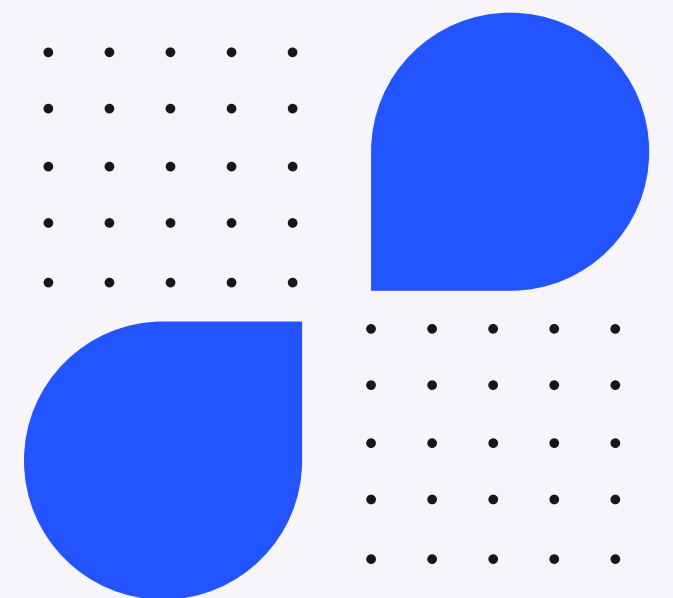


How it works :



Expected results :

- Time savings: Less manual input, faster ordering.
- Error reduction: fewer returns and corrections.
- Financial savings: Less tied-up inventory, optimized labor costs.
- Greater efficiency: More time for customer service and pharmacy management.



Value elements of ISM

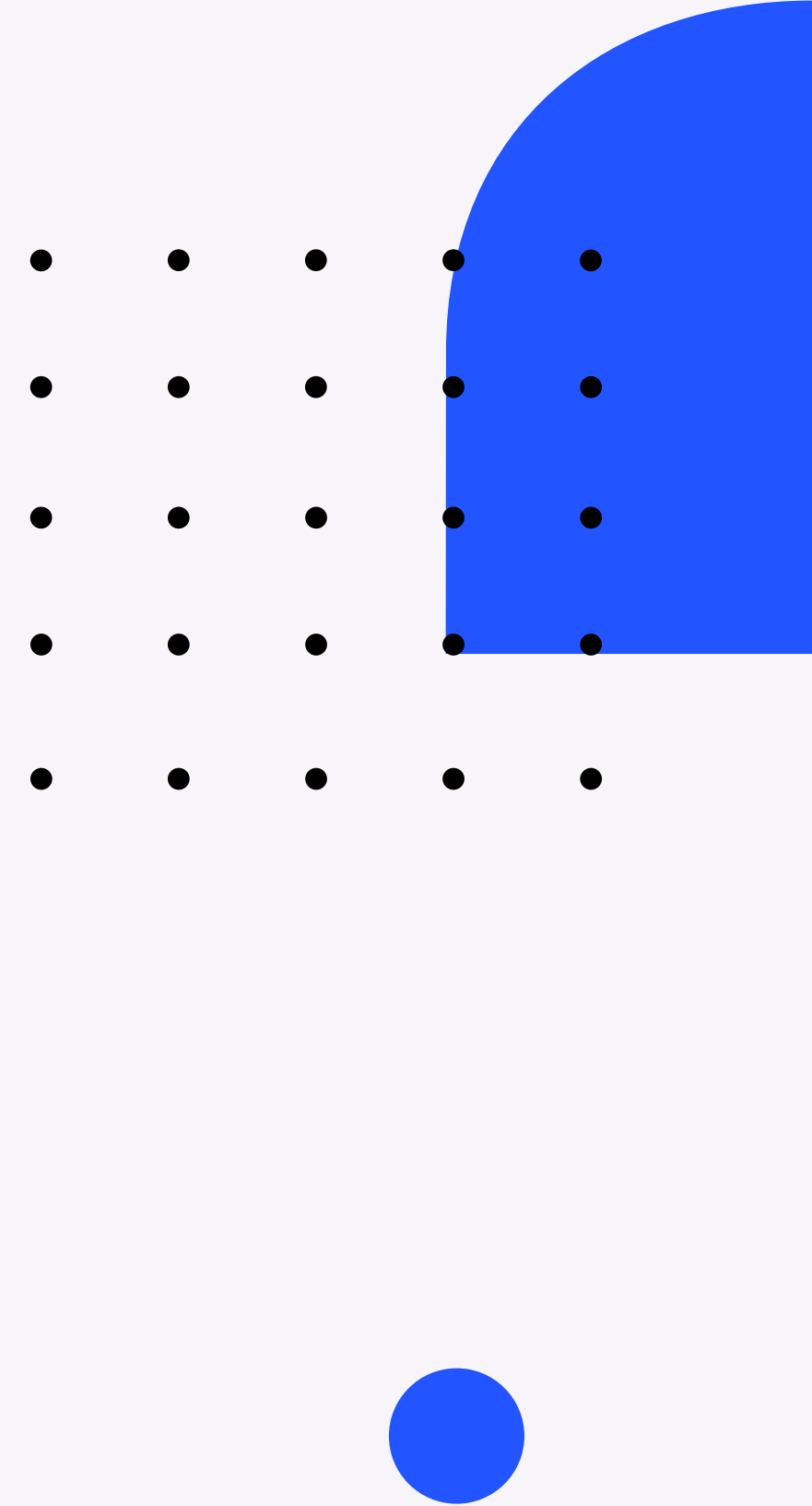
Inventory holding cost savings

ISM reduces the average value of inventory held:

- Before ISM: 18,400€
- After ISM: 13,800€
- Inventory reduction: 4,600€

Annual savings on cost of capital (12% per year) :

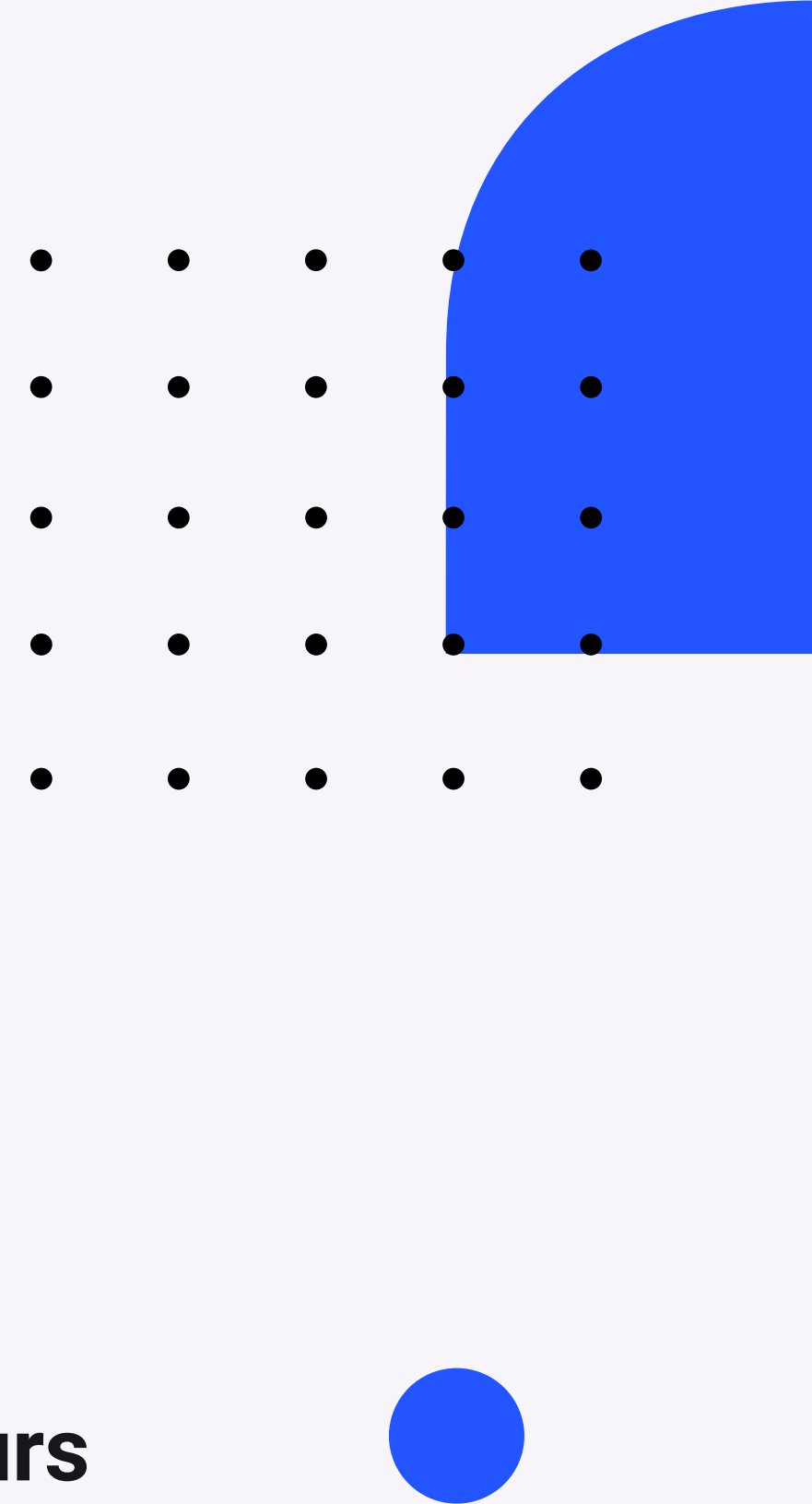
$$4,600 * 0,12 = 552€$$



Value elements of ISM

Mistake reduction time saving

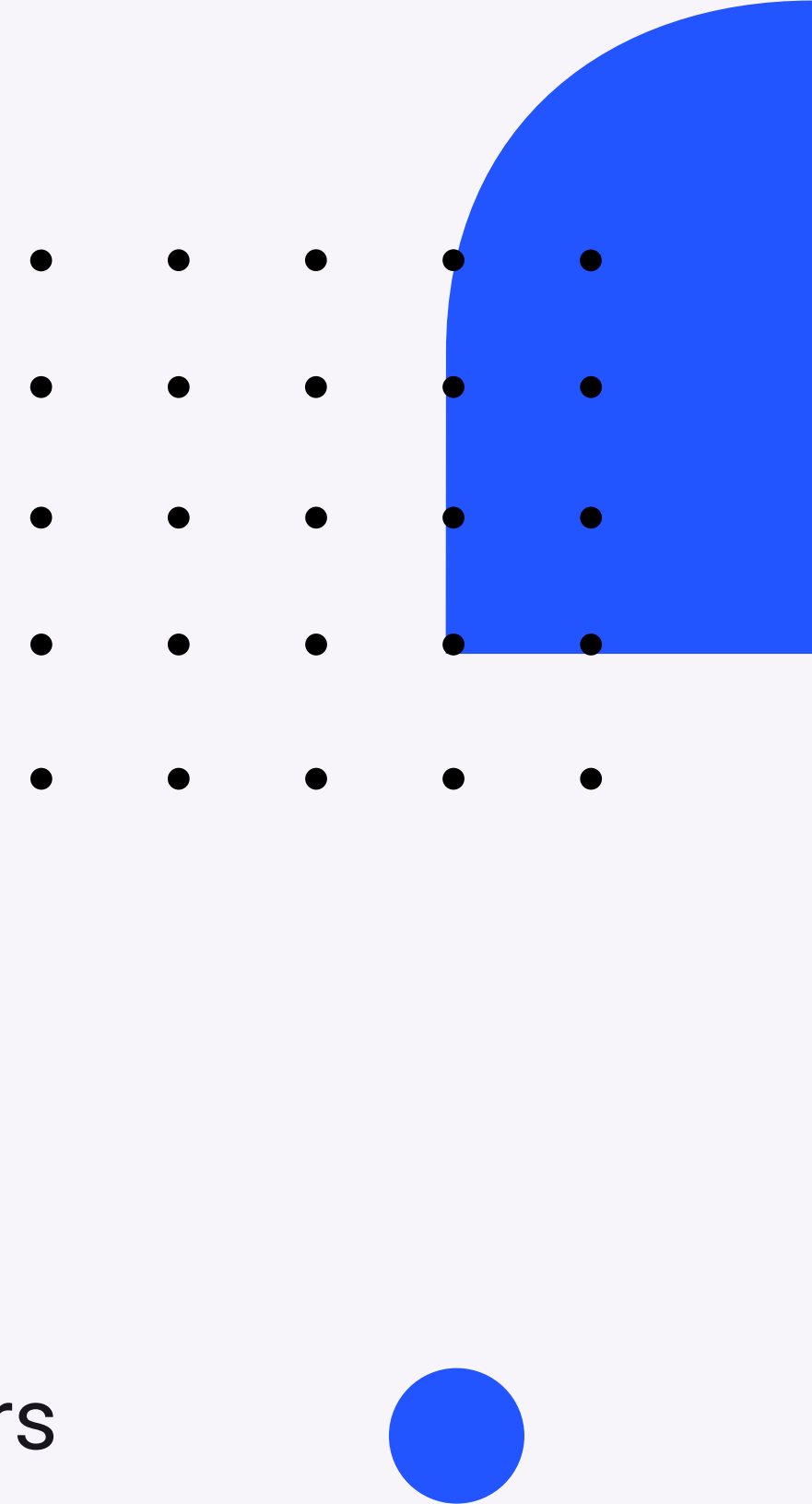
- Errors per order with current system: **12**
- Errors per order with ISM: **3**
- Error reduction : $12 - 3 = 9$
- Time saved by error: **4 minutes**
- Time saved per day : $9 * 4 = 36 \text{ minutes (0,6 hours)}$
- Time saved per year (312 working days) : $0,6 * 312 = 187,2 \text{ hours}$



Value elements of ISM

Processing time saving

- Lines ordered per day (before ISM): 72
- Lines ordered per day (with ISM): 62
- Processing time per line (card system): 2 minutes
- Processing time per line (ISM): 12 seconds (0.2 minutes)
- Time saved per order : $(72 \times 2 - 62 \times 0,2) / 60 = 131,6 / 60 = 2,19$ hours
- Time saved per year (312 working days) : $2,19 \times 312 = \mathbf{683,3 \text{ hours}}$



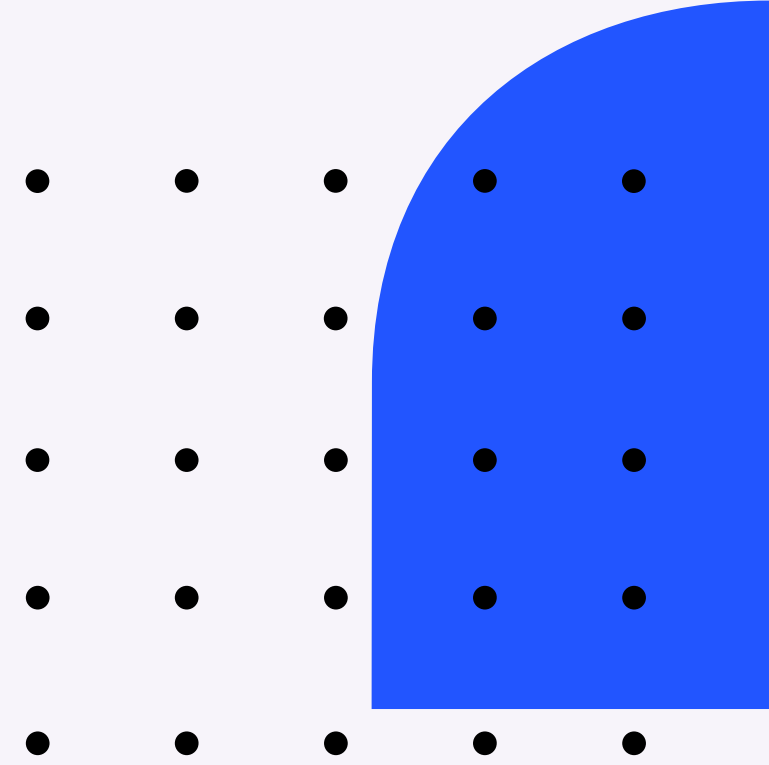
Value elements of ISM

Total time time saved :

- Mistake reduction time saving + Processing time saving

$$683,3 + 187,2 = \mathbf{870,5 \text{ hours}}$$

- Time saved with ISM: 870.5 hours per year, representing 55% of a pharmacist assistant's annual standard hours (1,584 hours)
- Issue: A pharmacist cannot lay off an assistant for these saved hours
- Challenge: how to capitalize on these newly found hours ?



Option 1 :

Assume all the hours saved are cost savings

- ISM cost saving =
ISM time saving per year * (Pharma assistant annual salary / hours per year)

= 870,5 hours * (28000€ / 1584 hours)
= 870,5 hours * 17,68 per hours
= **15 390.44€**

Option 2 :

Assume only overtime hours are recoverable

- Number of overtime hours = 8 hours a week * 52 weeks = **416 h**
- Overtime hourly rate : $17,68 * 1,25 = \mathbf{22,10\text{€}}$
- Overtime cost : $416 * 22,10 = \mathbf{9\ 196,6\text{€}}$

Surplus hours = $870,5 - 416 = 454,5$ hours

Additional sales value

- 454 hours = 29 % standard hours
- 1500 customer = **+ 435 more customers** (29 % of 1500)

Option 2 :

Assume only overtime hours are recoverable

- **Worth of a customer = (Annual pharmacy sales * Gross margin) / Number of customers**

$(2\,000\,000 * 25\%) / 9000 = 55,55\text{€ per years}$

$435 * 55,55 = 24\,166\text{€}$

Value Summary

ISM Cost savings per Year	Assomption 1	Assomption 2
Monetary Worth of ISM Time Savings	15,390€	9193,6€
Inventory holding cost savings	552€	552€
Acquisition revenue	0€	24 166€
Total	15 942€	33 911€

Pricing and pricing strategy

Penetration strategy: Low prices to attract a large number of customers quickly.

Objective : Rapidly increase market share & Discourage competition.

Advantage : Rapid customer acquisition and loyalty.

Disadvantage : Low margins initially, slower profitability.

Skimming strategy: High launch price to maximise profitability in a premium segment.

Objective : Immediate profitability & Premium product image.

Advantage : High margins, rapid return on investment.

Disadvantage : Fewer customers, slower adoption.

Pricing and pricing strategy

How to position ISM in the market?

Penetration strategy :

- Initial low price to capture a large market
- Advantages: Rapid adoption, volume effect
- Low prices meet the sector's challenges
- Possibility of adding updates or premium offers

Tactics and pricing

- 2,500€ for pilot pharmacies: Coverage of costs and thanks for their participation.
- 3,000€ for partners: Reduced rate in exchange for a strong commitment to VERVE.
- 3,500€ for others: Competitive price for a complete service and rapid sales development.

Conclusion

ISM, a strategic opportunity for VERVE

A lever for pharmacy profitability

- Lower costs, more time for patients (870h/year saved).
- Rapid ROI and proven financial gains (+15,000€/year).

Proof of the potential of consulting services

- A scalable model that stands out from the competition.
- Adoption facilitated by a competitive price (2,500€ - 4,000€).

A strategic turning point for VERVE

- Enhancement of expert role beyond logistics.
- Loyalty and sustainable growth.

The next step will be large-scale deployment and integration into the VERVE Partners program to consolidate this new approach.