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Enhancing Profitability For Healthcare Distributors Series

Defining Cost To Serve



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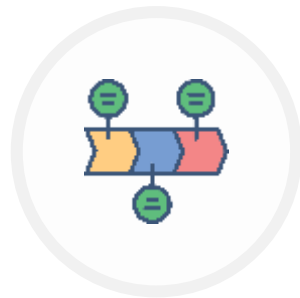
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Enhancing Profitability For Healthcare Distributors Series (Part 1 of 4)

Defining Cost To Serve

Introduction to Cost to Serve

The method used to determine the total expenses incurred by an organization to deliver products or services to its customers.



Discover how mastering your cost to serve is the cornerstone of achieving competitive advantage and sustainability in the healthcare distribution sector.

Why Cost to Serve?

Your organization has costs today - and they are likely growing.

Knowing what those are, what is affecting those, will allow you to both optimize and control as you grow - setting you up for enhanced profitability.

“You can’t improve
what you don’t measure”

Cost to Serve



Supply Chain



Sales & Marketing



Service & Support



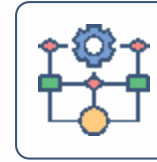
Infrastructure



Compliance & QA



Admin & Overhead



Supply Chain and Operations

The core activities and associated costs of moving products from suppliers to customers, including procurement, inventory management, order fulfillment, and reverse logistics.



Sales and Marketing

Efforts and expenses aimed at market expansion, customer acquisition, and retention through targeted sales tactics and marketing campaigns.



Customer Service and Support

The cost of services provided to ensure customer satisfaction and loyalty, encompassing support, inquiries, and after-sales services.



Infrastructure and Technology

Its primary use is to document and baseline the current flow of activities in order to identify improvements and enhancements for speedy accomplishment of tasks.



Compliance and Quality Assurance

Expenditures related to adhering to regulatory standards and maintaining product quality, including compliance activities and quality control measures.



Administrative and Overhead

The overhead and administrative expenses necessary for the daily operation and strategic planning of healthcare distribution businesses.

Components of Cost to Serve - What Are We Measuring?

	Category	Component	Definition
Focus	Supply Chain and Operational	Procurement	Costs associated with acquiring goods or services needed for production or resale.
		Inventory Holding	Expenses for storing and managing inventory, including warehousing costs, insurance, and spoilage.
		Order Processing	The costs incurred in receiving, processing, and fulfilling orders, including labor and shipping.
		Reverse Logistics	Expenses related to the return process of goods from customers back to the company for return or repair.
Other	Sales and Marketing	Sales	Costs associated with the direct efforts to secure customer orders and maintain revenue through customer relationships and strategic account management.
		Marketing	Expenses incurred in promoting products and services to attract and retain customers.
Other	Customer Service and Support	Customer Service	The cost of providing support to ensure customer satisfaction before, during, and after purchase.
	Tech and Infrastructure	IT	Investments in systems and software used for managing operations, sales, and customer service.
		Facilities	Costs associated with physical assets like distribution centers, including rent, utilities, and maintenance.
	Compliance and Quality Assurance	Compliance	Expenses related to adhering to laws, regulations, and standards relevant to the industry.
		Quality Control	Costs incurred in ensuring products meet required quality standards before they are sold to customers.
	Administrative and Overhead	Administrative	General and administrative expenses including salaries, office supplies, and utilities.
Strategic Planning		Costs associated with long-term business planning, research, and strategy development.	

Before we get started...

- Art vs Science
- Progress over perfection
- Focus on the highest impact
- Tie to the P&L

Supply Chain and Operational Costs



Procurement

- Direct Costs
- Shipping/Handling
- Supply Management

- Strategic Sourcing
- Bulk Purchasing
- Supplier Consolidation



Inventory Handling

- Storage Costs
- Capital Costs
- Risk Costs

- Just-in-Time
- Forecasting
- Warehouse Optimization



Order Processing

- Labor Costs
- Material Costs
- Shipping Costs

- Process Automation
- Order Consolidation
- Carrier Negotiation

Streamlining supply chain operations directly reduces overhead and improves delivery efficiency, impacting the bottom line positively.

Sales and Marketing / Customer Service



Sales

- Personnel Costs
- Training and Dev
- Commission Costs

- Strategic Accounts
- Performance-Based
- Higher efficiency



Marketing

- Personnel
- Advertising
- Market Research
- Content

- Digital
- Targeted Campaigns
- Content



Customer Service

- Personnel
- Technology
- Processes
- Training

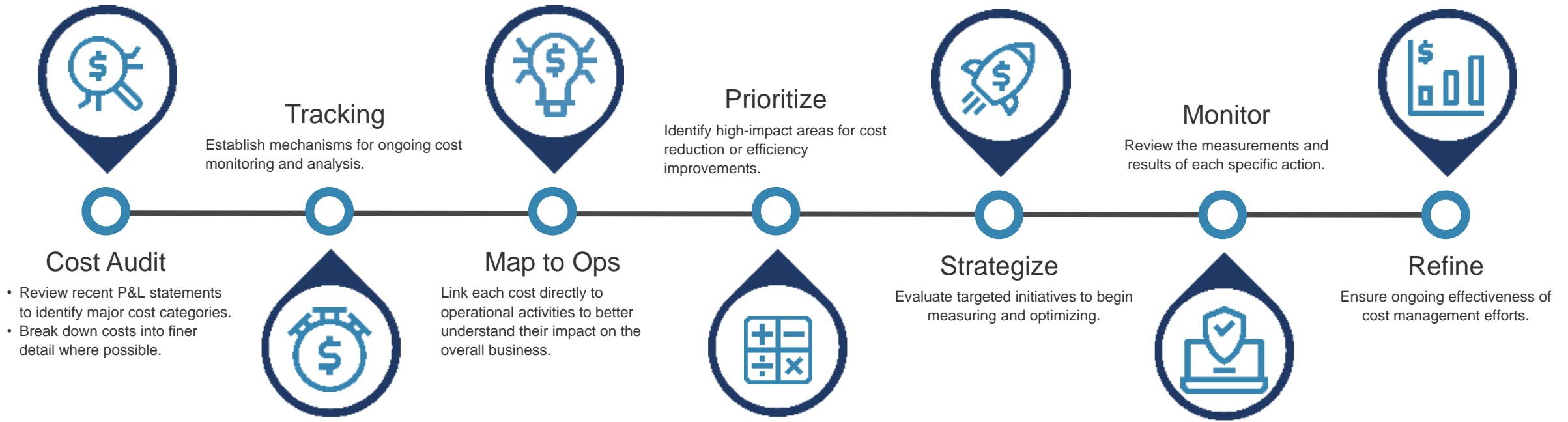
- Automation
- Training
- Customer Feedback

Components
to Measure

Optimization
Strategies

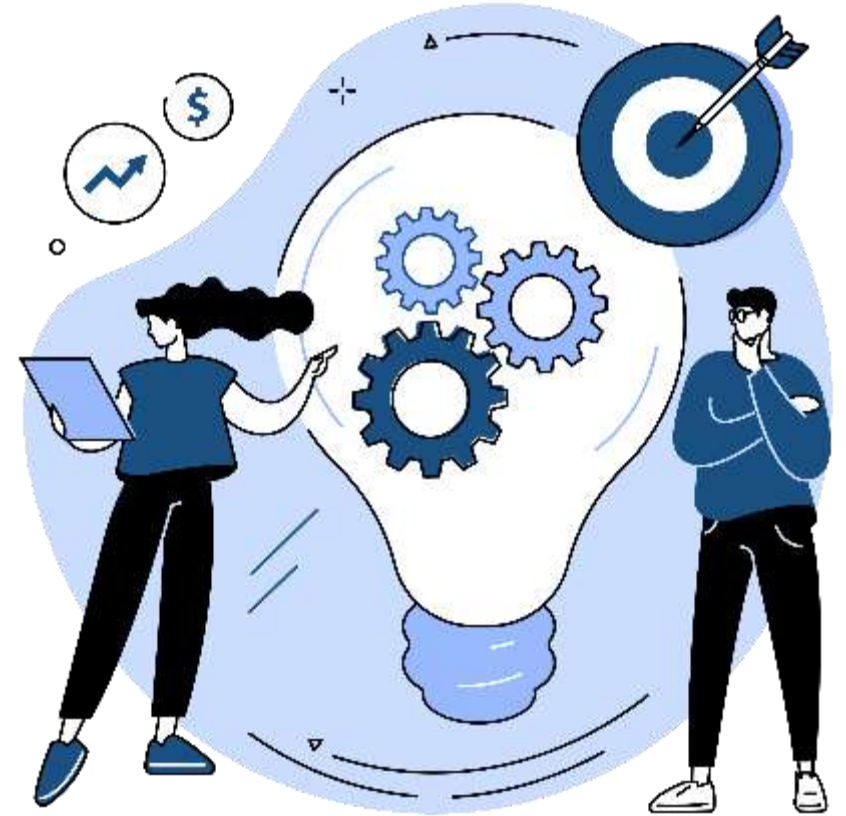
Understanding sales and marketing costs enables organization to allocate resources effectively, maximizing return on investment and growth by strategically engaging and expanding their customer base.

Getting Started On Your Cost-to-Serve Model



Avoid Boiling the Ocean

- Embrace Continuous Improvement
- Be Ok with an “Other” Category
- Prioritize, prioritize, prioritize
- Leverage Insights and Get Wins!
- Progress over Perfection
- Experiment and then Operationalize





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Thank you for watching!

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