

# Chemist Warehouse takes ownership of margin with Profectus RDM





# Chemist Warehouse is Australia's largest pharmacy franchise retailer with more than 500 stores in Australia, New Zealand, China and Ireland, and has a robust online sales offering.

Founded in 2000, the company now employs more than 16,000 staff across the world. Its objective is to "enhance the customer's healthcare outcome via the most effective and efficient means, resulting in great savings to the end user."



**INDUSTRY:**  
Retail



**LOCATION:**  
Global



**SERVICES:**  
RDM



**CLIENT SINCE:**  
2017

## Visibility over deals

The company started out as a small business with the mission to bring affordable healthcare to every Australian. For many organisations, that's easier said than done but the company was steadfast in its belief that it could significantly lower prices for its customers, according to Mark Finocchiaro, Managing Partner and Director at Chemist Warehouse Group.

"There's been a lot of work in trying to find the right pricing," he said. "We want to make sure that we provide the best possible value to our customers, so pricing is something we've dedicated a lot of time and attention to. And it's not simply about offering the lowest price; if we get too deep, you lose a lot of money quickly, as a discounter. If you're too expensive, then you're losing your proposition to the market."

What made pricing particularly difficult, was a lack of visibility into the product margins. In the early days, Chemist Warehouse relied on wholesalers to gain access to products. While this has benefits, such as a streamlined approach to supply and logistics, it meant the company had no visibility into the layers of each deal. As such, the company was provided with deals negotiated by the wholesaler, with no understanding of the margins available in each transaction. Furthermore, the sheer volume of demand coming from Chemist Warehouse meant that the wholesaler was able to negotiate better deals with the suppliers and was

passing it onto other pharmacies, which included Chemist Warehouse's competitors.

"Because the structures of deals and discounting increasingly became more and more complicated with rebates, rate of sales hitting targets, there was all these other considerations," he said. "When you're having a model that's so dependent on your margin, you need to really have a very clear understanding of what your costs are."



**CHALLENGE ONE**  
Reliance on wholesalers to gain access to products



**CHALLENGE TWO**  
Lack of visibility into product margins



**CHALLENGE THREE**  
Complicated deal structures with rebates and targets that could not be quickly interrogated



**CHALLENGE FOUR**  
Having to self-audit every deal, across many stores and different deal time frames



This model meant that the data could not be routinely and quickly interrogated, particularly when you factor in how many products the company was selling on a daily basis.

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**“It’s one thing to agree on the deal with the supplier, but it’s another to review your invoicing for every product to ensure the deal is being met,” said Finocchiaro. “Did you understand it correctly? What were the conditions of the deal? Have they been met?”**

**“There is almost a requirement to self-audit every deal. But there’s a lot of deals that have been done across many stores over different time frames. And there’s deals on top of deals, deals that change, planned deals, unplanned deals. It’s a very complex problem.”**

## Prescribing a cure

It was clear that the company needed to take control of its deals and maintain visibility across its supply chain. This meant dealing directly with pharmaceutical companies to procure products.

However, the company was not set up to be able to negotiate and capture a deal, let alone maintain visibility over each and every deal.

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**“We understood that moving to a direct supplier arrangement was something we needed to do to maintain low prices while not losing on deals,” said Finocchiaro.**

“We needed to spend more time really just to be confident that what we were doing was able to be captured correctly, that we could make the right claims with suppliers and that we were getting the right rebates.”

The company began the direct supplier process using internal resources, but quickly identified that doing so was prone to error.

“It was just such a vast exercise to undertake,” he said. “We realised that we needed structure to the process, as it isn’t as simple as people might think, particularly for a high-volume business.”

“There is a certain level of rigour required in setting up a deal, maintaining it, reviewing it and subsequently claiming on it. There are a lot of moving parts, and there is a risk element in missing some of those parts, or if certain parts aren’t undertaken correctly. The numbers can quickly stack up in a high-volume business.”

“So, we started looking outside the company for a deal management system to record and reconcile the various aspects of supplier arrangements that were going on in the business.”



## Enter Profectus: The Compliance and Recovery Insider

The company began working with compliance and audit specialists, Profectus.

Profectus’ Rebate and Deal Management technology, RDM, helps solve the issues of processing errors in managing rebates and deals. It is an online portal for storing, creating and approving agreements and claims, with a comprehensive rule engine covering all deal types. It is able to automate all Supplier and Customer rebates, with accurate claims and accruals interfaced into any business’ ERP platform of choice.

### DID YOU KNOW?

Most retailers are underclaiming  
1 in every 50 deals negotiated

Importantly for Chemist Warehouse, it enables online collaboration on deal creation and claim data. Once RDM was implemented within Chemist Warehouse, it enabled the retailer to create deals directly with suppliers, at scale, and also provided clear and granular visibility into the information of each deal.

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**“The Profectus RDM solution gives us the capacity to effectively standardise the deal creation and deal management processes,” said Finocchiaro. “That standardisation enables us to capture all the details and elements of the deal. And it minimises the possibility of error.”**



Furthermore, once the system was in place and supplier information was onboarded, Chemist Warehouse was able to keep track of hundreds of suppliers and their invoices and deals all at once and automatically. Implementing RDM catapulted the transition from a wholesale supplier arrangement to a direct supplier arrangement.

"What was quite a manual and interpretive process became a lot more standardised and a lot more crystallised," he said. "That helped us streamline our direct supplier relationships and enabled all parties to agree on the deals and then us to track each deal."

"Once we were able to understand and agree on the deal mechanisms, then it's simply mathematics after that point."

## Beyond RDM

So successful was the implementation that Chemist Warehouse then began to expand its work with Profectus, leveraging the company's auditing expertise to track down historical overcharges and rebates. Profectus can uniquely identify anomalies and identify revenues left in financial limbo.

"Their auditing expertise ensures that we can cost-effectively shake the tree and see where the leaks are, if any," said Finocchiaro. "Profectus brings a degree of understanding and visibility across everything we're doing."

## Let us take the hard work out of your deal management system

Our comprehensive Rebate Deal Management platform (RDM) is delivered out-of-the-box, pre-loaded with best-practise functionality, ensuring compliance by integrating automation, collaboration, and negotiation.

Want to know more about how RDM can help your business? Book a client reference call today!

[BOOK A CLIENT REFERENCE CALL](#)

### Here's how Chemist Warehouse benefited...



#### **STREAMLINED, AUTOMATED DEAL MANAGEMENT**

Ensures accurate rebate claims and accruals



#### **GRANULAR DEAL VISIBILITY**

Deals are now created directly with suppliers, at scale, in a way which clearly captures the details and elements of each



#### **EASY TRACKING**

Chemist Warehouse are now able to track hundreds of supplier invoices and deals easily and automatically