

Stock & Inventory Control

QUICK GUIDE

This Quick Guide will provide you with tips on keeping your stock and inventory under control when cash is tight.

MANAGING YOUR INVENTORY AND STOCK

Carrying inventory is part of running a business. Maintaining optimal inventory can be a challenge when faced with unpredictable customers. Finding the right balance between having sufficient inventory available to ensure you can meet your customer demand, while reducing the cost to your business of having high inventory and low turnaround, can be challenging.

If you are low on stock the result can be a financial burden on you.

Below are some tips that may help you better manage your stock and inventory:

- Assess your inventory policy – does it still work for your business in the current environment?
- If you manufacture, ensure you have communication and information flow between production and sales, distribution and production, so that sales aren't promising to customers what can't feasibly be delivered and that time frames are realistic.
- Implement systems for tracking product sales. This will enable you to identify slow moving and obsolete items, fit in with trends/seasons, work out your margins on stock, and determine your cost of storing stock.
- Develop a sound relationship with suppliers. Ensure they can supply you on short notice. Work with them to find a process and pricing that works for both of you. Consider 'Just in Time' inventory management, which means stock arrives as it's needed, reducing your warehousing needs, and money tied up in stock.
- Manage your inventory – keep a visual control, carry out regular small stock takes, and use an inventory management process (manual or electronic). Review stock levels regularly, turnover rates and purchasing policy – free up money by reducing stock.
- Implement a stock purchasing system and trail process – include what to order, how to order, quantity to order, delivery times, reordering process and trigger point for reordering, arrival checks, addition of goods into your inventory, suppliers stock levels and ordering quantities.
- Buy or produce only what is selling and what your customers want – review previous sales and trends to forecast potential demand.
- Buy only as much as you need to hold - keep your inventory and materials moving on a fast turnaround, while ensuring you have sufficient levels on hand for customers or production and taking advantage of bulk discounts where possible.
- If discounts are offered by suppliers – ask why they are discounting. Is there a new model being released making this one obsolete? Or are your discounts because you have a special relationship with them?
- Watch stock rotation. Move out slow moving stock – have a sale or approach suppliers to take back excess. Define a refund policy.



- Calculate your sales cycle/stock rotation – use historic data – to find out how long your stock sits around to minimise the length of time. Stock days = stock on hand ÷ cost of goods x time period. Stock days can be used to benchmark against other companies in your industry to determine whether you are a low, average or top performer.
- Don't be left with obsolete stock – take action. Find an alternative distribution outlet, sell cheaper, offer up product for free as bonus to customers buying other stock, talk to your supplier about taking back excess, or recycling options. Holding onto it costs you money, by being tied up in obsolete goods and taking up space that could house productive stock.
- Review, review, review – what, where, why and where-to-now with the stock?

The Employers' Chamber has a range of resources available to help you implement the above tips into your business:

Resources

Quick Guides

- Staying Fit and Lean
- Manufacturing

Training & Events

Networking Events

For further information on Stock and Inventory Control or other aspects of operations, please contact the business advisory team at the Canterbury Employers' Chamber of Commerce, call 03 366 5096.

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