Inventory Management

The right item in the right place at the right time is a key to operating any kind of merchandising business. This is inventory management. There are two main parts to inventory management:

1) How much do you have on hand **2) How much should you have on hand**

How much DO you have on hand?

Stock count, perpetual inventory and stock-sales ratio are methods used to determine how much inventory you have on hand.

The **stock count** can be obtained from a visual "quick check" to an item by item count, recorded on a form and updated weekly or monthly. Another simple format is to take a weekly or monthly count of goods on hand and on order. It's time to reorder when the supply on hand will be used up or sold during the number of weeks it takes to receive your new stock plus one week to allow for delays.

Perpetual Inventory - can be done manually by including it in your daily sales records. Tear off perforated price tags, indicating item number, size and color and put these in a box by the cash register. Subtract them from your stock on hand at the end of the day. Perpetual inventory is a simple matter of quantity on hand at the start of business, less the quantity sold, plus the number of returns equals the balance. Compare this to your planned ending stock and this will give you the quantity that needs to be ordered. This is also known as open to buy; it allows you to consider factors such as:

- **Seasonal items**
- **Dependability of a vendor**
- **Holidays and closings**
- **What your competition is featuring**
- **Items to be featured in a future sale**

Arrange all the items to be ordered from one vendor on one form. List each item on one line of the form and if not ordering immediately, add items daily until you reach your deadline for ordering. Monitor order-delivery lead times. Before you have a crisis, find out what your vendor's policies and charges are for "rush" orders. Miracles can happen, but the best policy is to plan ahead.

How much SHOULD you have on hand?

In any business, an appropriate inventory level should be calculated by considering expected sales in the coming period. For products that show a steady sales pattern regardless of season or current fads, this can be based upon average monthly sales. If this is a new business, you will have to either forecast your sales, or if possible, try to get an idea of what competitors are selling and use this as a starting point.

For More Information

Books:	Big Ideas for Growing Your Small Business	Frances McGuckin
	Retail Business Kit for Dummies	Rick Segel