

## Stock Control Fundamentals

This was written for someone picking up responsibilities for stock control for the first time. The Sixteen (a classical choir) have about 80CD's in the catalogue at any one time. It proved so useful as a starter guide that it is worth wider circulation.

By way of pre-amble, it's not necessary to do anything complex, more some fundamentals well.

Complicating a mess (which is what too many companies do) gives a complex mess.

Transactions, in and out, are the weak spot. Inbound transactions drive supplier payments / refunds and stock on hand. Out drives invoicing, cash, receipts and stock. All are incredibly vulnerable to error &/or getting 'out-of-sync' (e.g. "I'll send you the receipt when I get home" Now the goods and the cash are in sync, but the bookkeeping is out)

1. Have a good process and stick with it.
2. Getting signatures doesn't increase accuracy, good processes do. Signatures sometimes help when backtracking, although maybe the missing transaction was the one not signed for! Thieves don't sign.
3. Realise that it will go wrong (stock moves, errors stay) and build in checks and balances which
  - a. Put it right before you hurt a customer or yourself
  - b. Unravel and fix *causes*
4. Theft and forgetfulness are endemic. Tough, you shouldn't have volunteered!
5. Play hardball. They are not CD's, they are money. If you wouldn't hand someone £1000 on a handshake, don't hand them 100CD's.
6. You will get returns. Plan for them now.

Know what and where the stock is. In computerised systems, stock is a calculated consequence (start stock + deliveries – shipments = stock now) so is classically subject to errors anyplace else.

Hold stock at cost price. Write it down (in value – don't scrap it) progressively if it becomes clear it won't all sell. Don't 'bottle' at this – it's much harder to write lots down late than little bits early. Don't worry if you write something down too far and it then sells. You made a paper profit, cancelling the paper loss you took earlier. If you do finally have to scrap stuff – destroy it. Council tips are full of entrepreneurs.

Keep the re-ordering very simple. If you set the ROP (re-order point) to 'when I have 100CD's of a title left', then mark the 10<sup>th</sup> last box (if packed in 10's) in some way. When you open or issue that box, reorder.

Order what you need. Don't get too drawn to volume discounts (100 cost £5 each but 500 cost £4 each) Cheap items that don't sell are bloody expensive.

After the initial pressing (which inevitably involves a 'blind forecast' of what might sell) only re-forecast when you are sure sales have changed substantially. There's more damage done by re-forecasting than most anything I deal with. The reforecast might alter the ROP (when you reorder), the ROQ (Reorder Quantity – the amount you order), both or neither.

ROP and ROQ (colloquially 'rop & rock') are your steering wheel and accelerator.

ROP should be 'the amount I might sell before the ROQ arrives, plus a safety margin'.

To begin with, set the ROQ high enough that there's only one order in the pipeline at a time; otherwise you have to keep track of what's still due in. The 'reorder at 10<sup>th</sup> last box' system wouldn't work.

Try and make things easy to check. For example, mark every 10<sup>th</sup> box when you receive it. Reconcile

book to physical stock (etc) on that product every time you open or issue a marked box.

Always use part boxes first. That way, at check time the book stock should be a full box multiple. (The record companies used to destroy part boxes at the end of a production run – they were simply too difficult to manage)

Very roughly, unravelling errors takes 8 to 25 times longer than getting it right first time. That assumes that you give up tracking down some errors, and simply adjust the stock.

In a theft/loss free system, errors are paired. “If it’s not in the office (error #1) where it should be, then it might be in the car (error #2 - where it shouldn’t be)”

Stockrooms don’t make anything. If you write stock on (increase the book stock of ‘A’ because you found more than you should have) *there’s a serious problem looming somewhere*. In no order

1. You missed a receipt note (and the supplier will chase you and/or freeze your credit)
2. There’s a paired error, either already found, or waiting
3. ‘B’ got packed in A’s boxes (an extreme example of a paired error)
4. The write on reverses a previous write-off. i.e. the previous count was wrong.
5. You can’t count

Have spare jewel cases, repackage scratched or cracked product.

Concert sales are terribly difficult to forecast, so there will be times when you run out.

As a minimum ask the desk ‘at what point in the evening did we run out’ or ‘how many more do you think we might have sold if we’d had them’. The former is a science, the latter – they will usually overestimate but at least you have a feel.

As a maximum, offer to mail it post free and make the transaction slick (business card?) and ultra reliable (You also get mailing addresses ...) You just sold something you don’t have. Politicians do that, few shops can!

Have or get some simple ratios to help your forecasts. CD sales per ticket sold; correlation between newness of CD and rate of sale (some ticket holders already have older Sixteen pressings), between pieces on each CD and in that night’s program, ditto composers, and so on.

It’s sometimes worth making transactions ‘backtrack-able’ in case they go wrong.

For example, if stock is in many places at once (say three people need 100CD’s each to sell on the night) then try this

Issue 120 CD’s (NOT 100) to Masie, 110 to Joe and 100 to Georgie.

Afterwards your records are out by 100. If you’d given each 100 you’d have 3 suspects and no clues. Now you’re pretty sure it’s Georgie’s transaction that screwed up.

“Not rocket science, more not lighting a match near the rocket”