

**THE
ADVANCED
OFFICE
ASSISTANT**

MANAGING STOCK

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What does stock mean to you? Does it mean after-hours projects, such as extra paperwork or heated conversations with your bookkeeper over cost vs. markup vs. profitability? If you answered "yes," stock probably also means "piles of money" on the shelf.

What is the purpose of stock? Stock exists to improve your level of service. How? The right amount of the right frames will provide you with what you need when you need it, without enormous stress on your operating capital.

THE IMPORTANCE OF THE PURCHASING FUNCTION TO THE BUSINESS

The importance of the purchasing function differs from one business to the next, but in most cases, purchasing has a profound influence on profit and in the aspects discussed below.

Purchasing costs are a practices' biggest expense. It therefore stands to reason that purchasing costs is an area in which cost savings can make a vital contribution to the business' profit.

The aim of stock management is to keep stock levels as low as possible, without risking an interruption in the operational process. If too much capital is tied up in stock, a practice could encounter cash flow problems.

Thus, effective stock control consists of optimising 2 goals: **minimising total stock investment** and **carrying the right mix of products** to satisfy customer demands.

The profit-leverage effect means that if purchasing costs constitute a major portion of the total costs of a business, a saving in purchasing costs has greater

profit potential than a similar increase in sales. For this reason buying groups are formed to form greater buying power in order to reduce costs!

CONTRIBUTIONS TO THE MARKETING OF PRODUCTS

A buyer in an Optometric practice has a greater and more direct influence on the marketing of merchandise where the availability of the right product (type, style, quality and brand) at the right time in the right quantities is an important consideration in successful marketing. Effective purchasing can therefore facilitate the marketing of a business' products and indirectly contributes to profits through the marketing function.

SERVING THE CUSTOMER

Stock control is important because a practice should carry the correct stock to serve its customers/patients properly. Not having the correct selection of frames could lead to losing business to the competition. In return, this could mean 2 things; it could mean **losing sales** and **losing a potential customer**.

STOCK CONTROL

To effectively manage stock, the following rules can be applied:

- 1) Control purchasing
- 2) Set a target for Stock Turn Rate
- 3) Set a target for Stock Investment
- 4) Establish a Stock management system
- 5) Get rid of "dead Stock" and replace with supplies that have immediate re-usable value.
- 6) Regular Stock Takes

1) CONTROL PURCHASING

Effective stock control consists of finding correct answers to 2 questions:

- How much of an item should be ordered at one time?
- When should the item be reordered?

There are various techniques that are used in the control of stock. Here are a few of them:

MANUAL TECHNIQUES

Coloured pens or dated price stickers are another simple and effective manual technique. Coloured stickers or a sticker marked with a highlighting pen can be used to indicate the time period during which a product was received. For example, a practice might use blue stickers for products received during the first 6 months of a year, red stickers for products received during the next 6 months, yellow stickers for the first 6 months of the next year and so on. Because colours change every 6 months, the manager can readily estimate how long an item has been in stock by simply glancing at the sticker. The length of time an item has been in stock gives a rough indication of the quantity of the item needed and of whether the item should be discontinued. Dated stickers are simply a refinement. Rather than depending on colour, the date of receipt is placed on the sticker.

Computerised Stock Control

Most businesses do have computerised systems which provide them with detailed reports about stock. Computerised systems have the capability of making it possible for businesses to maintain continuous control of stock. This means that stock and sales figures for individual products are updated constantly as purchases and sales are made. However, to maintain continuous control, the business must update stock records whenever stock is purchased and whenever it is sold. Thus, all purchases and sales must be entered into the computer.

ESTABLISH A STOCK MANAGEMENT SYSTEM

A practice must have a software system that identifies:

- Movement of stock in and out of the business and therefore the current stock level
- Stock adjustments with reasons why it was adjusted
- Orders outstanding

- Latest price paid and price charged
- Current stock holding (total as well as by supplier)
- Stock sold by supplier

Most software available to Optometry has a facet to the program that aids with the above-mentioned aspects.

SIX STEPS TO IMPROVE STOCK CONTROL

The following seven steps can assist you to improve your stock control, improve your level of service and improve your bottom line.

Step One

Determine which items are your real movers. To accomplish this, you must first determine what represents "dead" stock in your store. Be realistic. Don't forget about that store room!

Step Two

Turn dust into money. You must get rid of frames that are not moving. Contact your supplier to either credit you for the frames or exchange it for current stock. Different suppliers have different policies on returns. Never deal with a supplier that does not accept returns!! Remember: the representative will also benefit if you keep current stock as his brand will sell faster and his orders will increase.

Step Three

Determine what and how much to stock. Who makes the ordering decisions in your practice? The best people to deal with suppliers, are the ones doing the sales as they understand the needs of their customers. Determining what to stock (and how much) is similar to determining your dead stock. The difference is how much stock do you really need? Again, your computer should be able to tell you what is selling and which items produce the greatest gross profits. Remember that your goal is to maximise your level of service. If stocking an item doesn't help you reach that goal, don't stock it.

Step Four

Monitor sales for profitability. It's easy to fall into the "we-sell-lotsa-em", "we-better-stock-lotsa-em" trap. It's a trap because high sales volume doesn't necessarily equate to high profitability. If you're losing money each time you sell one, you can't make it up in volume. A better consideration would be to determine where the profit lies and unload everything that isn't profitable. Gross profit per line item is one measure. Remember, a 1% increase in gross profit equals a 1 % increase in net profit, if the volume remains constant.

Step Five

Establish 2-weekly ordering. This step is nearly self-explanatory. Once you've determined what the movers are, disposed of the dead stock, and determined what and how much to stock (and the profitability), then you're ready to order and receive frames and contact lenses 2-weekly to replenish stock sold.

Some practices prefer to see sales representatives once during a 6-week cycle. This may suit the representative better but it's not helping your cash flow at all! Overcoming a possible problem if a representative cannot service your practice on a weekly or even 2-weekly basis is easy. Print a "Stock sold by supplier" report, generate an order and fax the order through to the supplier. The representative can then ensure that your stock stay current and you keep the latest models on his 6-weekly visits. He can also arrange for stock to be exchanged for later models.

Step Six

Buy smart. When selecting a supplier, realise that prices are so competitive and deliveries are so good that you do have choices. For example, what discounts do I receive for buying quantities? Will your supplier analyse your stock and exchange models not selling? Do they honour guarantees – no questions asked? Do they charge you when sending back orders? Will they assist in window displays?

Five Rules to Live By

Here are five rules to live by while operating your practice. Display them prominently in your office next to your telephone. They, too, will help you improve your bottom line.

- Do not stock anything you can obtain in an hour or less.
- Never promise a job in less than an hour.
- Never buy anything that cannot be returned (unless the customer pays up front).
- Do a physical stock take twice a year. Return anything that has not been sold in 6 months.
- Calculate margins and stock turns.

REGULAR STOCK TAKES

A full stock take should take place at least twice a year. There are 2 important reasons why it is important to partake in stock taking.

- To determine the difference, if any, between the actual stockholding and the theoretical stockholding in the practice.
- To determine the accurate gross profit

All financial statements hinge on the result of stocktaking. If the stock count is inaccurate, unjust profits might be declared or losses concealed.

Stocktaking is an unpleasant, tedious and costly exercise and all efforts should be made by all people involved to make sure that results are valid.

There are two different ways in which stock takes can be done – A full stock take or “Cycle Counts”. The latter is easier to deal with in a small to medium sized practice as it can be done at a time suitable for the person doing it.

Cycle counting makes taking stock easy. This means that each staff member is given the responsibility of a certain section of the frame display or stock cabinet

and does a weekly stock count of one of the sections. All sections must be counted at least once a month. Draft a diagram (see example) of the frame display to do proper planning and to enable staff members to see at a glance what their daily responsibilities regarding the taking of stock is.

Employees should never do the same section two months in a row. This may result in inaccurate counts due to shrinkage.

The Process:

Print a “stock on hand by supplier” list. Use this list to check the stock on display. If your merchandising is done in such a way that all brands are categorised, it’s easy. If all the frames are scattered, be careful not to miss frames.

Once the displayed frames have been counted and there are frames missing, check the following places:

- Job trays in the lab for frames not yet invoiced (this should not happen!)
- “Jobs on hold” – still to be invoiced
- Store room
- Jobs to be collected – frames not invoiced (this should not happen!)
- Credit notes – it might be that a credit note was passed and the person responsible for it did not place the frame back in stock in the system before invoicing it out again.

Once you are positive that you have checked all the venues and there are still frames missing, record it on the report and pass it to the practice manager to do the necessary adjustments on the stock system.

CYCLE COUNTS

SCHEDULE FOR CYCLE COUNTS				
Name	Week 1	Week 2	Week 3	Week 4
Karen	Actisoft	Acuvue	Proclear	Surevue
Sarah	1	2	3	9
Michelle	6	7	12	13
Melanie	8			
Kemp	C/L Solutions	Eye Drops	Cords, Chains	Lens Spray
Gert	4	10	5	11

1	2	3	4	5	6	7	8	9
Gucci Rx	Diesel	Koali	Silhouette	Ray Ban	Georgio Armani	Plaza	Moscon	Feducci
Brooks Brothers	Adidas	Awesome	DKNY	Gucci	Montani	Safilo	Neric	Strike

11 KIDDIES

12 KIDDIES

10
 Silhouette Sun
 Carreira Sun
 KillerLoop Sun
 Ray-Ban Sun
 Adidas Sun

STOCK LENS MANAGEMENT

Competitive advantage

It is difficult to imagine that there are practices who believe that carrying stock is a waste of money (and space!) After customer service, it is the single biggest advantage any practice has over their opposition. Keeping stock of your most commonly prescribed single vision lenses (provided that you have your own fitting lab on the premises) and contact lenses, builds patient loyalty and increases sales.

Most businesses have computerised systems that provide them with detailed reports on stock. Computerised systems have the capability of making it possible for businesses to maintain perpetual control of stock. This means that stock and sales figures for individual products are updated constantly as purchases and sales are made. However, to maintain continuous control, *the practice must update stock records whenever stock is purchased or sold*. Thus, all purchases and sales must be entered into the computer.

How do we determine stock holding?

With both contact lenses and ophthalmic lenses, the procedure to determine the correct stock holding is similar:

- Print a sales report for a period of 6 months
- Calculate the average amount of lenses sold per week (by power)
- Determine the time between placing the order and receiving the stock
- Set targets for minimum quantities indicating when to order
- Ensure management of these quantities

If you have an automated system where your orders are generated through your computer system by using minimum quantity stock levels and your orders goes through to suppliers daily and automatically, there is no need to stock more than

one week's supplies. If however you have to order lenses and contact lenses over the phone, it might be necessary to carry at least two week's stock. It can be very embarrassing to have to tell a patient that you do not have stock as your employee forgot to order lenses or that he/she is on leave!

The aim of stock management is to keep stock levels as low as possible, without risking an interruption in the operational process. If too much capital is tied up in stock, a practice could encounter cash flow problems. Thus, effective stock control consists of optimizing 2 goals: **minimizing total stock investment** and **carrying the right mix of products** to satisfy customer demands.

CONTACT LENSES

Managing contact lens stock is easy because the way in which contact lenses are kept one can see at a glance what needs to be ordered. The following graph suggests which lenses to keep in stock as well as the quantities to keep. As it is impossible to have one set of rules for all practices, the graph consists of quantities of 2's and 4's only. Multiply this number to suite your practices' needs.

MINUS POWERS

POWER	B/C	QUANTITY
-0.50	8.7	4
-0.75	8.7	4
-1.00	8.7	4
-1.25	8.7	4
-1.50	8.7	4
-1.75	8.7	4
-2.00	8.7	4
-2.25	8.7	4
-2.50	8.7	4
-2.75	8.7	4
-3.00	8.7	4
-3.25	8.7	4
-3.50	8.7	4
-3.75	8.7	4
-4.00	8.7	4
-4.25	8.7	2
-4.50	8.7	2
-4.75	8.7	2
-5.00	8.7	2
-5.50	8.7	2
-6.00	8.7	2
-6.50	8.7	2
-7.00	8.7	2
-7.50	8.7	2
-8.00	8.7	2

PLUS POWERS

POWER	B/C	QUANTITY
+0.50	8.7	2
+0.75	8.7	2
+1.00	8.7	2
+1.25	8.7	2
+1.50	8.7	2
+1.75	8.7	2
+2.00	8.7	2
+2.25	8.7	2
+2.50	8.7	2
+2.75	8.7	2
+3.00	8.7	2
+3.25	8.7	0
+3.50	8.7	0
+3.75	8.7	0
+4.00	8.7	0
+4.25	8.7	0
+4.50	8.7	0
+4.75	8.7	0
+5.00	8.7	0
+5.50	8.7	0
+6.00	8.7	0
+6.50	8.7	0
+7.00	8.7	0
+7.50	8.7	0
+8.00	8.7	0

The above graph only includes the most popular base curves. Because the waiting period is normally no more than 2 days, non-popular lenses may be ordered on demand. In extreme cases a patient may be given trial lenses to assist them if you do not have their lenses in stock.

Always ensure that your trial lens boxes stay fully stocked. In most cases these lenses are free of charge. Keep a small stock sheet with each box (with a pen!) and ensure that everybody taking out a trial lens write it down. Re-order trial lenses on a weekly basis.

Some contact lens companies have representatives that understand the art of customer service. They might phone your practice – or even come into the practice) on a weekly basis to take an order for both contact lenses and trial lenses. Unfortunately there are also a few short-sighted representatives who do not follow this line of customer service. If you have one of them serving you, either complain or manage your stock yourself.

Note: *When unpacking lenses, always put new lenses underneath existing stock as expiry dates may become a problem if only the new lenses on top are sold.*

Should one of your regular patient's lenses fall outside the parameters of your stock holding, use a diary to remind yourself to order their lenses before they need it. You may want to make a phone call: *"Mrs. Jones, you will need new contact lenses soon. Shall I place an order so that it is here when you need it?"* (Or something to this effect!)

The danger in keeping non popular contact lens powers and base curves lies in the fact that it may expire before it is sold. Ensure that you check expiry dates regularly!

STOCK LENSES

If it is not possible for you to utilize computer generated sales reports to determine the popular lens powers used by your practice, ask your supplier for your purchase history for the last 6 months. This way you can calculate your minimum quantities needed in stock.

Glass lenses – should we keep it in stock?

In the country side there are still practices making use of **glass photogrey extra** lenses. Should your practice be one of those, ensure to keep them in stock but calculate the quantities needed. (Remember to calculate the stock used during a 2-week period only.)

There will always be patients in need of a reading pair made from **white glass lenses** - even though we always explain the dangers of glass to them! Only if the need is there, keep it in stock.

CR39 Lenses

Stock holding depends largely on the services offered by your laboratory. Should you tint your own lenses, you might want to stock more of the lower power lenses in **CR39 without ARC** for prescription sunglass purposes

Regular **CR39 with hard coating** is always very popular – especially if your practice serves a great deal of lower income patients.

CR39 with hard coat and ARC is the other popular lens to stock. Profit margins on these lenses are great and because you keep the lenses in stock, you are probably purchasing it at an even better price thus increasing your profit margins.

Bifocal and Multifocal lenses are becoming more and more popular for reading glasses. Most people making use of the ordinary reading pair obtainable from pharmacies and gift shops find it frustrating to constantly look for their glasses.

Keeping Plano lenses with adds ranging from +1.00 to +3.50 in stock means that you can supply specialty lenses at far better prices – and greater comfort to the patient. The patient will not have to wait a day or three for these lenses to arrive as well!

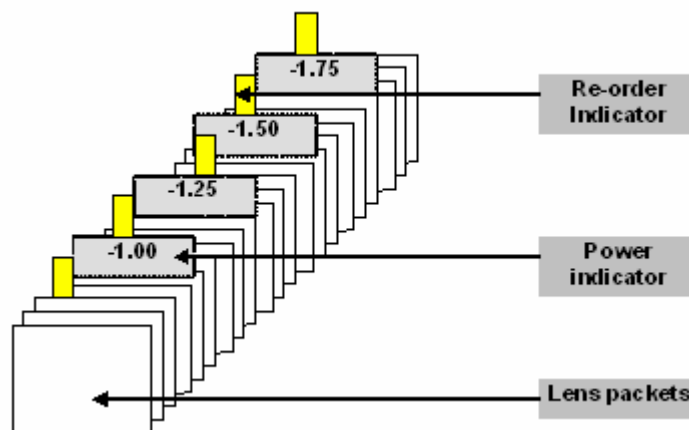
Keeping brown or grey tinted CR39 with UV coating in stock can be a time-saving factor if your lab is very busy. These lenses can be purchased at very reasonable prices and the time needed to make up a pair of prescription sunglasses is minimized to half an hour!

How do we keep track of stock quantities?

There are two ways to ensure that your stock never runs out. Both of these systems require an employee that really *wants* to keep the stock up to date.

Every time that a stock lens is used, the sleeve goes onto a spike. At the end / beginning of each day, sort these sleeves, complete a blank stock sheet for each lens type (sample below) and fax / email it to your supplier. Keep the order on file to ensure that the correct lenses and quantities are delivered and to see when there are “back orders”.

The second method involves a “counter” inserted at each power. As soon as your stock level gets to the indicator, create an order per lens type on the stock order sheet below and fax / email it to your supplier.



Sample of sheet used to manage stock lenses. Each lens type will have its own chart.

CR39 HARD COATED + ARC

PLUS POWERS									
	0.00	0.25	0.50	0.75	1.00	1.25	1.50	1.75	2.00
0.00	4	4	4	4	4	2	2	2	2
0.25	4	4	4	4	4	2	2	2	2
0.50	4	4	4	4	4	2	2	2	2
0.75	4	4	4	4	4	2	2	2	2
1.00	4	4	4	4	4	2	2	2	2
1.25	4	4	4	4	4	2	2	2	2
1.50	4	4	4	4	4	2	2	2	2
1.75	4	4	4	4	4	2	2	2	2
2.00	4	4	4	4	4	2	2	2	2
2.25	4	4	4	4	4	2	2	2	2
2.50	4	4	4	4	4	2	2	2	2
2.75	4	4	4	4	4	2	2	2	2
3.00	4	4	4	4	4	2	2	2	2
3.25	2	2	2	2	2	2	2	2	2
3.50	2	2	2	2	2	2	2	2	2
3.75	2	2	2	2	2	2	2	2	2
4.00	2	2	2	2	2	2	2	2	2

MINUS POWERS									
	0.00	0.25	0.50	0.75	1.00	1.25	1.50	1.75	2.00
0.00	4	4	4	4	4	2	2	2	2
0.25	4	4	4	4	4	2	2	2	2
0.50	4	4	4	4	4	2	2	2	2
0.75	4	4	4	4	4	2	2	2	2
1.00	4	4	4	4	4	2	2	2	2
1.25	4	4	4	4	4	2	2	2	2
1.50	4	4	4	4	4	2	2	2	2
1.75	4	4	4	4	4	2	2	2	2
2.00	4	4	4	4	4	2	2	2	2
2.25	4	4	4	4	4	2	2	2	2
2.50	4	4	4	4	4	2	2	2	2
2.75	4	4	4	4	4	2	2	2	2
3.00	4	4	4	4	4	2	2	2	2
3.25	2	2	2	2	2	2	2	2	2
3.50	2	2	2	2	2	2	2	2	2
3.75	2	2	2	2	2	2	2	2	2
4.00	2	2	2	2	2	2	2	2	2

FOUREYES OPTOMETRIST

STOCK LENS ORDER

TEL: (011) 456 7890

DATE: _____

Whichever way you choose – remember that this function is directly related to the level of customer service provided in your practice. Indicating to a patient that you have their lenses in stock and then having to say that you were mistaken is a typical example of over-promise and under-deliver. Managing your stock effectively will never put you in this situation!