

taking stock

if you want to manage your money, manage your stock, says Liz McKeon

Effective stock management is one of the main elements required in running a financially successful and profitable salon. If you want to mind your money, learn to manage your stock!

Stock control, otherwise known as inventory control, is used to show how much stock you have at any one time, and how you keep track of it. Effective stock control is necessary if the salon is to offer a full range of products and services.

It applies to every item you use to deliver a treatment and every product you retail. It covers stock at every stage of your service to clients, from purchase to delivery to using and re-ordering again.

Maintaining effective stock control is important in all kinds and sizes of retail operations, but is critical in small business. When stock becomes unbalanced the salon owner / manager is facing losing sales and clients.

A stock control system is necessary if the right merchandise is to be on the shelves when required. An effective stock control system will help to serve clients properly and prevent over or under buying. Stock can tie up a large slice of your business capital, so accurate information about stock levels is essential for your salon's accounts.

Understock will result in loss of sales; overstock will result in excessive amounts of money tied up in stock.

A stock control system involves four factors:

1. What is on hand
2. What is on order
3. What you have sold
4. What you need to order

The kinds and number of control records which an owner / manager uses depends on the amount of details that are needed. Stock control systems may be achieved either by counting stock or by counting sales, either on computer or by hand. Either way, a model stock list is required.

keeping track manually

Stocktaking involves making an inventory, or list of stock and noting its location and value. The simplest manual system is to use a stock book, which suits small salons with few stock items. It simply enables you to keep a log of stock received and stock issued.

Stock cards are used for more complex systems. Each brand of stock has an associated card, with information such as description, value, location, reorder levels, supplier details and information about past stock history.

keeping track using computer software

Computerised stock control systems run on similar principals to manual ones, but are more flexible and information is easier to retrieve. You can quickly get a stock valuation or find out how well a particular item of stock is moving. A computerised system is a good option for salons dealing with a lot of brands.

Other useful features include:

- Stock and pricing data.
- Automatic stock monitoring, triggering orders when the re-order level is reached.
- Identifying the cheapest and fastest suppliers.
- Bar coding systems which speed up processing and recording.

Remember, the system will only be as good as the data put into it. Run a thorough stocktake before it goes 'live' to ensure accurate figures, and make a list of your salon's stock requirements before investing.

protect your stock

Keeping stock secure depends on knowing what you have, where it is located and how much it is worth - so good records are essential. Check the security around your premises and keep the risk to a minimum. Set up a clear policy and make sure your staff are trained in 'shrinkage'.

Unfortunately, theft by employees can sometimes be a problem. To prevent this train staff about your security systems and your disciplinary policies and procedures, and also ensure they are aware of the cost of stock theft and its implications to company turnover and job security.

managing your stock

Identify a minimum stock level and re-order when stock reaches that level - this is known as the re-order level, and remember your supplier's lead times for deliveries.

Calculate an economic order quantity - the balance between holding too much or too little stock, if your salon's needs are predictable, order a fixed quantity of stock every time you place an order, or order at a fixed interval, just keep the quantities and prices under review.

And always implement the 'first in, first out' system to ensure that all stock is used efficiently so that it doesn't deteriorate.

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