

Taking Stock!

What do you value more in your business?

- Stock to hand in your warehouse
- Stock in your supplier's warehouse
- Stock in the air
- Stock at sea
- The ability to call in new production at short notice



Do you attribute values to all or any of these stock positions? Do you value them all the same?

The great drive of recent years has been to reduce stock everywhere, as stock is money tied up that is not currently earning anything for the business.

This is common sense but some companies have gone too far down this road without the capability to call in new production at very short notice and have managed some spectacular failures that have attracted considerable press coverage and consumer outrage damaging their brand as well as their bank balance.

Some companies have given thought to this and have worked out that for them it is possible to keep a small stock to hand in their own warehouses with the ability to quickly call more in from their suppliers by airfreight.

This requires consideration of the cost benefit between small and frequent shipments by airfreight and a few larger consignments via sea freight. Airfreight may be the more expensive option but this may balance well with the cash flow advantage of not having to buy so much stock in one big purchase. The cost of paying for a larger area of warehouse space over a longer period rather than a smaller area for a shorter period should not be forgotten. Of course your supplier may not be so keen to produce short runs of your product and may attempt to increase his price. However, this may well still prove the cheaper option.

No two businesses are exactly alike. Large multinational companies may have worked out their best position using a large team of experts and hopefully will review this position on a regular basis. Medium and small businesses are not likely to have the resource to spend much time on such a calculation but if they did the facts and figures might prove both surprising and enlightening.