

Financial training For non financial staff



The financial training specialists

Christmas stock (profit and cashflow)

I was sitting in Serendipity in Leyburn, Wensleydale, writing my blog, and watching the staff organising the Christmas stock.

Which set me thinking. How much cash had been spent on the Christmas goods being put out? Cash that was now sitting on the shelves, rather than being in the bank account. Stock is cash tied up, cash not in the bank account. But of course, shops must have stock on the shelves if they are to sell the goods.

It's a quandary, isn't it? But one that we have to get right if we are to manage our cashflow successfully.

Then what about the impact of stock on profit? If we don't carry any stock, we'll struggle to sell anything, so won't have any profit.

But how much of Serendipity's Christmas stock will end up in the January sales? Again, it's a compromise. Buy too little stock, and they have missed out on possible profitable sales. But buy too much stock, in it gets sold off at a discount.

So how does this relate to your business? How much cash have you got tied up in stock? The right amount, too little, or too much? How much stock gets disposed of as out of date or obsolete stock? How much has been there for too long?

How are you going to find out, and what are you going to do about it?