

Balancing Stock Vs Cash Flow

Balancing stock levels and cash flow is a challenge for many small businesses. You want to have enough stock to meet your customers' demand, but you don't want to have too much cash tied up in inventory that could be used for other purposes. Here are some tips to help you manage your stock effectively:

Use Inventory Management Software

By using software you will be able to analyse your sales data and stock movements. Good software should give you insights into which products are most popular, which ones are seasonal, and which ones have a short shelf life. This will help you plan your stock orders and avoid overstocking or understocking.

Know your Inventory Days

Days Inventory Outstanding or DIO tells you how many days on average you hold stock for before selling it. This is a key metric for every business to know when they have stock. Keep a close eye on this metric to make sure it is stable and not increasing.

The aim is not necessarily to drive this metric lower as this could be an indication you are not holding enough stock to serve your customers needs.

The right DIO will be unique to your industry and business.

Forecast Customer Demand

Speak to your key customers regularly to keep up to date with what is happening at their business. Are they seeing orders increase and therefore will want to order more from you. Encourage them to place orders as far in advance as possible.

If you are selling direct to consumers, keep up to date with the latest trends to help predict what could happen.

Negotiate With Your Suppliers

Flexibility from your suppliers on things like free returns, annual rebates and extra payment terms can often be more valuable than an extra discount.

Therefore do not just talk to your suppliers about the best price they can offer, find out how else they can support your business and build a close working partnership with them.

Set Good Stock Procedures

Having good stock control procedures in place such as min/max levels, identifying slow and fast movers and doing regular stock checks can help.

Sell off Obsolete Stock

If you do find yourself holding stock that is slow moving or obsolete, consider how you can offload it. You could sell it in bulk to another business, have a sale, or even offer it as a free add on when a customer buys something else. Don't be tempted to hold on to slow moving stock in the hope it sells. You are often better off cutting your losses, converting it into cash and reinvesting that cash elsewhere in your business.