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These documents have been harvested from distance education resources on March 12, 2020 to support all teachers in providing a continuity of learning for their students in the event of student absence during this difficult time.

**Updated – 12 March 2020**

# Year 12 Retail Services

## SIRRV001 Receive and handle retail stock

### Replenish stock levels

#### Section 3



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Original saved in: T:\Office\DECDATA\VET\RETAIL SERVICES\Receive and handle retail stock\Section 3.docx

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# Outcomes

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By completing this unit, students are working towards achieving the following outcomes.

- Rotate, replenish and present stock according to organisational requirements for stock levels
- Record stock waste or shrinkage according to organisational procedures
- Maintain optimal stock levels on retail shop floor



## 3.1 – Rotate, replenish and present stock according to organisational requirements for stock levels

### Rotating and replenishing stock according to requirements

Rotating and replenishing stock is important for mitigating stock loss. It is the practice of moving products with an earlier sell-by date to the front of a shelf or hanging rack (or in the stockroom) so that they get worked out and sold before the newest product.

### Stock rotation and replenishment systems

The stock rotation system your organisation chooses to employ should be easy to understand and operate. It should form part of any efficient organisation.

### Examples of warehouse stock rotation systems include:

- The two bay stock rotation system
- The barcode system
- The FIFO rotation system.



### The two bay stock rotation system

This system involves filling one area at a time with stock and using another area as a holding area.

### The barcode system

This system involves rotating stock items according to their barcode and date of manufacture. This allows staff members to effectively track stock through the stockroom and on to the shop floor.

### The FIFO rotation system

This system, 'First in first out', means that the first items purchased are the first items sold.

### Using stock turn rates to help you plan

The 'stock turn rate' is a calculation you can use to check if your stock planning is effective.

A low stock turn rate means you're moving stock too slowly, which creates excess or old ('aged') stock, as well as higher holding costs. A high stock turn rate could mean you don't have enough stock on hand to supply customer needs.

### To calculate the stock turn rate:

- Determine the cost of goods sold
- Determine the cost of stock on hand
- Divide cost of goods sold by cost of stock on hand (cost of goods sold/cost of stock on hand) to reach your stock turn rate.

## Activity 1



List 3 examples of warehouse stock rotation systems.

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Explain what is meant by FIFO rotation system.

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## 3.2 – Record stock waste or shrinkage according to organisational procedures

### Recording stock waste or shrinkage

In any industry, there will always be problems with waste and shrinkage; it is unavoidable. The important thing is to accurately record waste and shrinkage so that you have a better idea of stock quality control and who is to be held accountable for specific problems. Recording stock waste and shrinkage also enables you to make adjustments to working practice, tweaking things in order to boost efficiency and, ultimately, profits.

#### Specifically, you should:

- Record waste and shrinkage in a logbook
- Divide waste and shrinkage issues into 'major' and 'minor'
- Organise log book entries according to date
- Specify the time and location that waste or shrinkage was discovered
- File and store waste and shrinkage records according to organisational policies and procedures.



#### Shrinkage reports

Most retail organisations set an acceptable limit for shrinkage (such as, for instance, 3% of stock) in the knowledge and understanding that mistakes happen. But whatever the limit your organisation chooses to set, you should produce a report that covers all shrinkage issues with stock.

#### In the report, you should:

- Detail the problem
- Specify when the problem was discovered
- Specify who may be held responsible for the problem.

You should also specify the potential reasons why shrinkage occurred.



**Possible valid reasons for shrinkage include:**

- Goods expiring beyond their 'use-by' date
- Theft
- Accidents
- Over exposure to damp
- Over exposure to heat
- Reckless handling
- Transportation difficulties.

# Activity 2



Explain what stock shrinkage is.

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## 3.3 – Maintain optimal stock levels on retail shop floor

### Maintaining optimal stock levels on shop floor

Maintaining the appropriate stock levels on the shop floor should be a priority for every retail business. Below-average stock levels can lead to a loss in sales – and therefore profit – while above-average stock levels can tie up much-needed capital and space. Even from an aesthetic point of view, every business should strive to present their stock to customers in a professional manner; the shelves, floor space and hanging racks should be adequately stocked but also clutter-free.

### The optimal stock level your organisation chooses will depend on factors such as:

- Monetary value of stock
- Personal taste
- Special offers
- Cash flow
- Hard costs
- Soft costs.



### Maximum stock level

This is the level above which stock levels should not rise.

### When setting a maximum stock level, you should consider:

- The cost of storage
- The rate of usage
- The delivery time of stock from the time the order was placed
- The risk of deterioration.

### Minimum stock level

This is the level below which should levels should not fall.

### When setting a minimum stock level, you should consider:

- The rate of usage
- Delivery time
- The level of safety or 'buffer' stocks to be held.

## Activity 3



1 Why is it important to maintain optimal stock levels on the shop floor?

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2 List 3 factors that may influence an organisations optimal stock level.

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