

# Marketing Essentials



## Chapter 24

### stock handling and inventory control

#### Section 24.1 Stock Handling

#### Section 24.2 Inventory Control

# Stock Handling



## Before You Read

**REFLECT** What do stores do to prepare their merchandise for sale?

## OBJECTIVES

- **Describe** the receiving process.
- **Explain** stock handling techniques used in receiving deliveries.

## **THE MAIN IDEA**

All businesses must have a stock handling process in place to receive deliveries of materials or products. This process affects maintenance of inventory levels.

## VOCABULARY

- receiving record
- blind check method
- direct check method
- spot check method
- quality check method
- source marking
- preretailing marking method

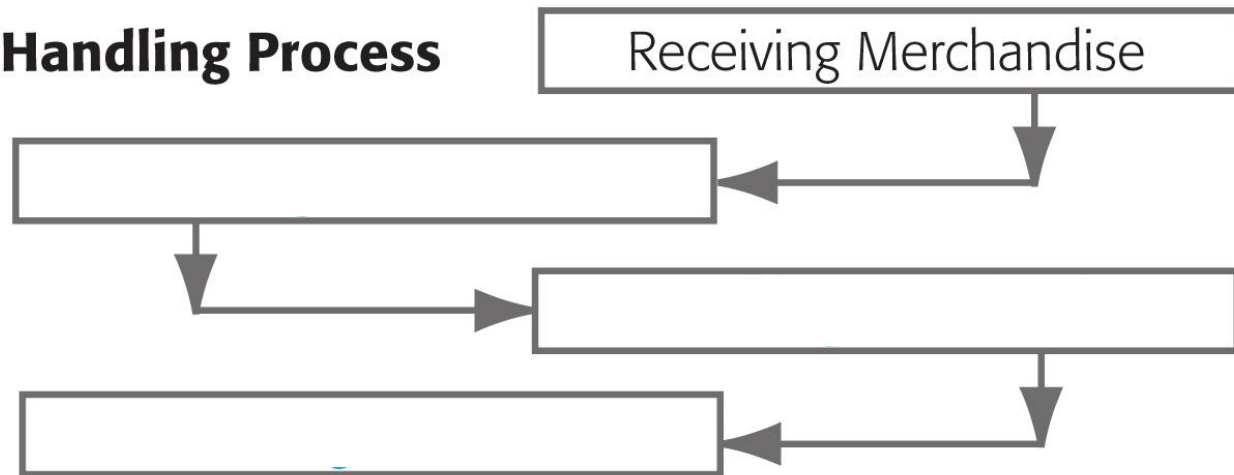


# Stock Handling

## Graphic Organizer

### Key Steps in the Stock Handling Process

#### Stock Handling Process

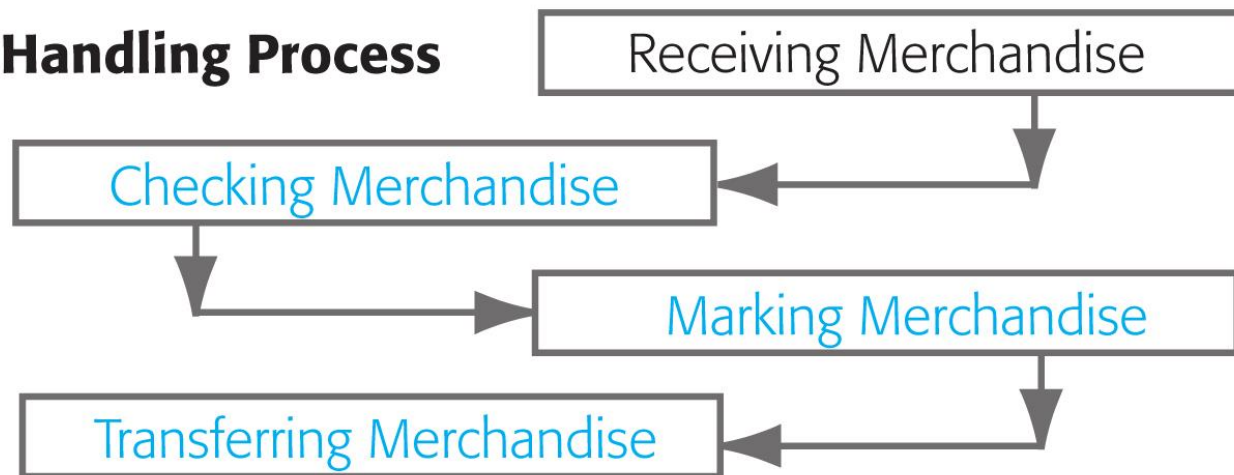


# Stock Handling

## Graphic Organizer

### Key Steps in the Stock Handling Process

#### Stock Handling Process



## Stock Handling

### Receiving Merchandise

**The store manager is aware that a shipment is coming.**

**Merchandise is received by a receiving clerk.**

**The size of the receiving facility depends on the size of the business.**

**Information on the receiving record is entered either manually or electronically.**



#### **receiving record**

Information recorded by businesses about the goods they receive.



## Stock Handling

### Methods of Checking Merchandise

#### Blind Check Method



#### **blind check method**

A method of checking whereby the receiver writes the description of the merchandise, counts the quantities received, and lists them on a blank form or dummy invoice. The list is then compared to the actual invoice after the blind check is made.

## Stock Handling

### Methods of Checking Merchandise

**Blind Check  
Method**

**Direct Check  
Method**



#### **direct check method**

A method of checking in which the merchandise is checked directly against the actual invoice or purchase order.

## Stock Handling

### Methods of Checking Merchandise

**Blind Check  
Method**

**Direct Check  
Method**

**Spot Check  
Method**



#### **spot check method**

A random checking method of one carton in a shipment for quantity, and one item in the carton is inspected for quality; if the item is as stated on invoice, remaining cartons are assumed to be in the same condition.

## Stock Handling

### Methods of Checking Merchandise

**Blind Check  
Method**

**Direct Check  
Method**

**Spot Check  
Method**

**Quality Check  
Method**



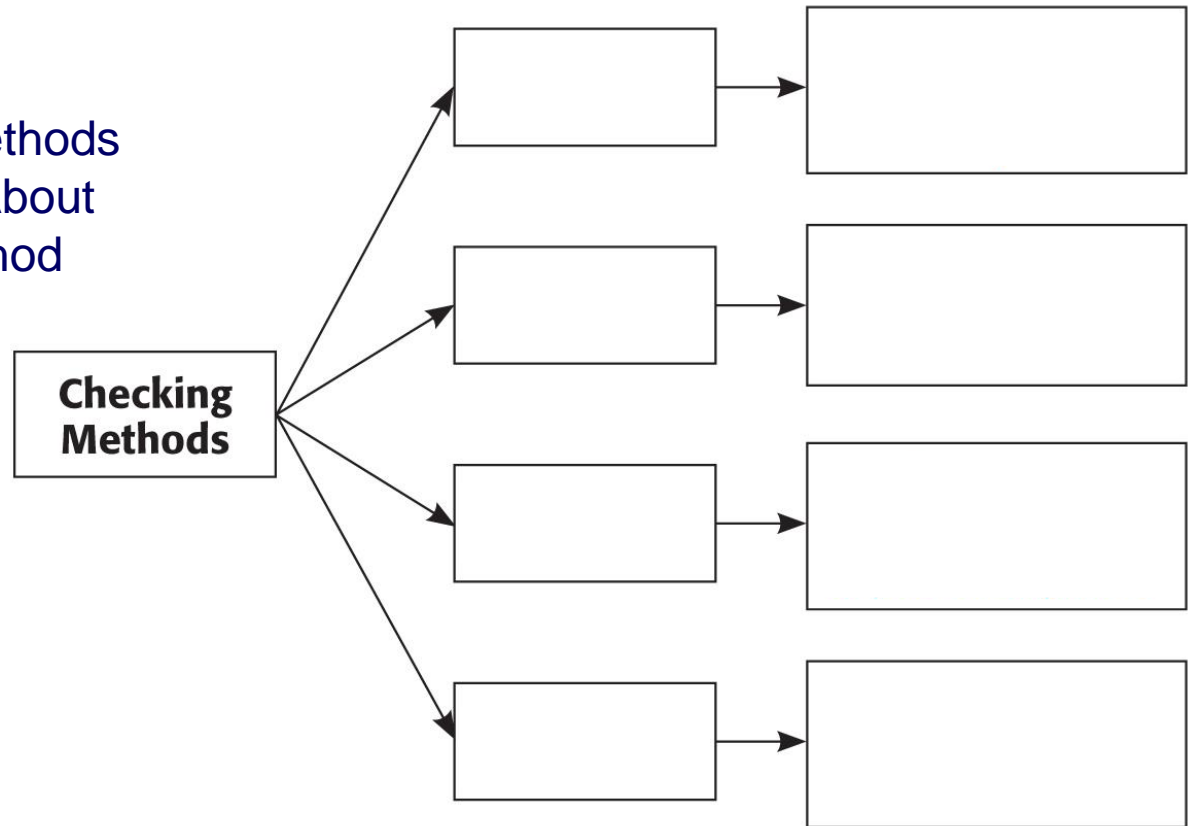
#### **quality check method**

A checking method that inspects workmanship and general characteristics of the received merchandise.

## Stock Handling

### Graphic Organizer

Checking Methods  
and Facts About  
Each Method

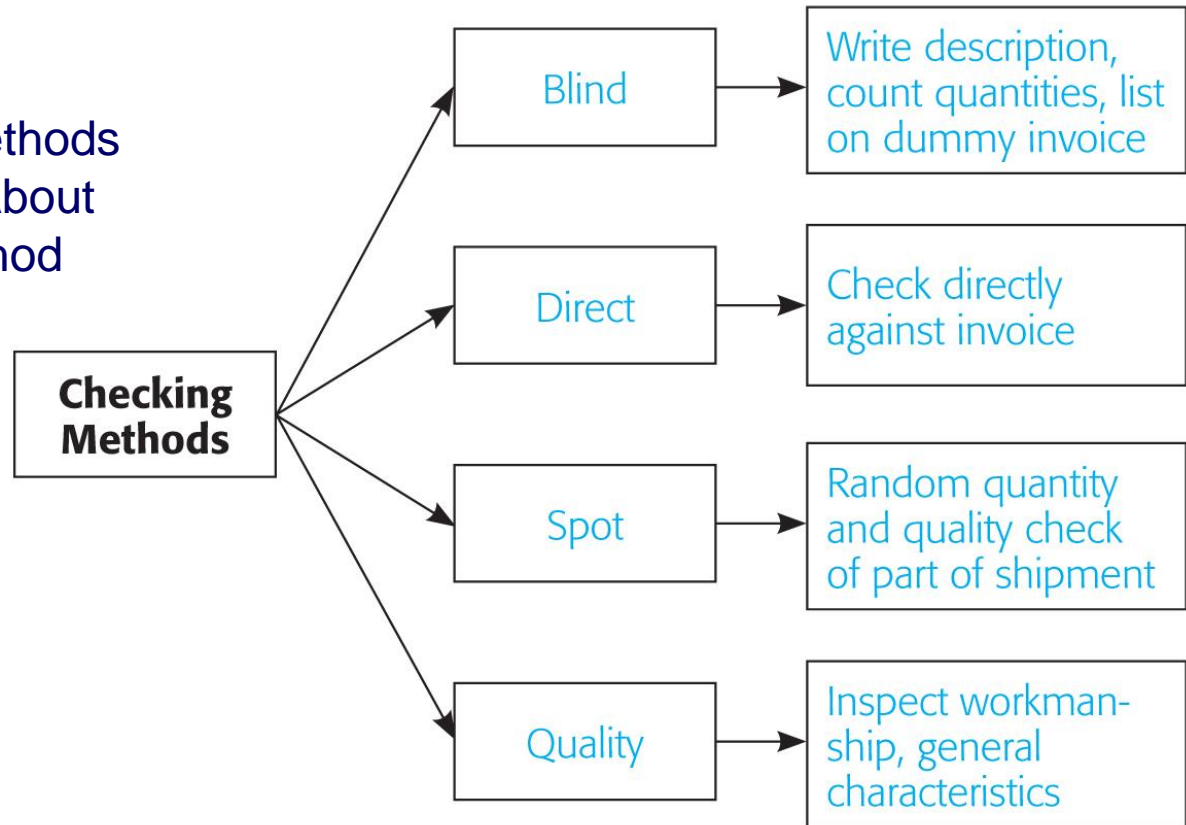




## Stock Handling

### Graphic Organizer

Checking Methods  
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Each Method

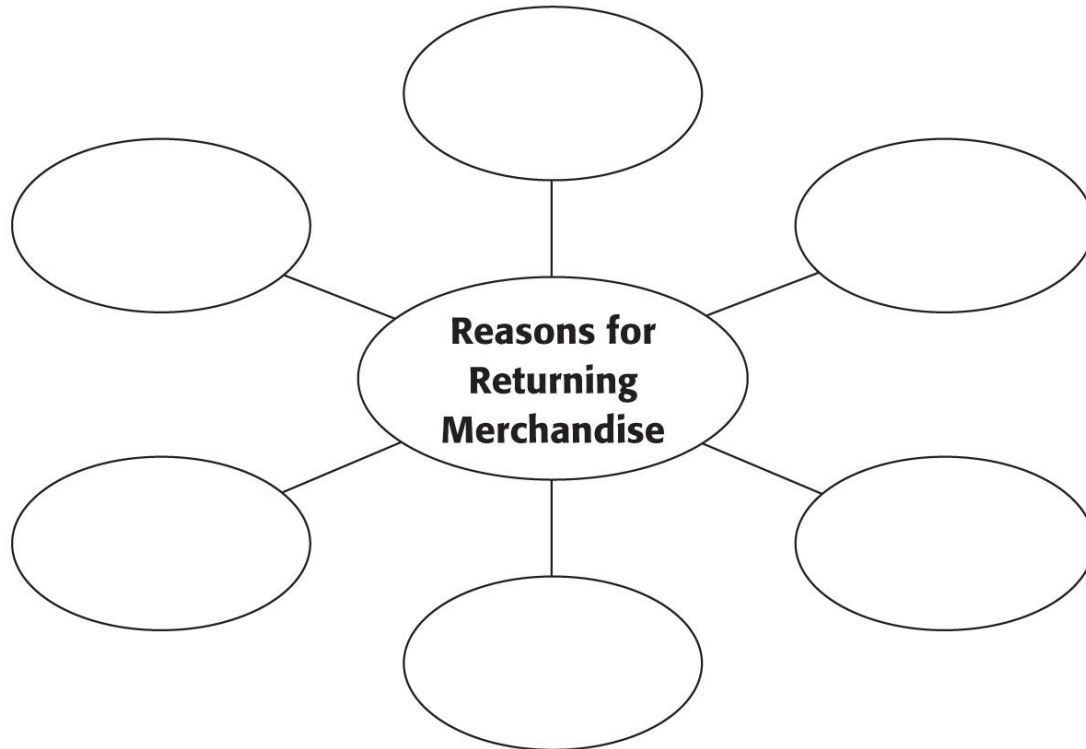


# Stock Handling

## Stock Handling

Graphic  
Organizer

### Reasons for Returning Merchandise



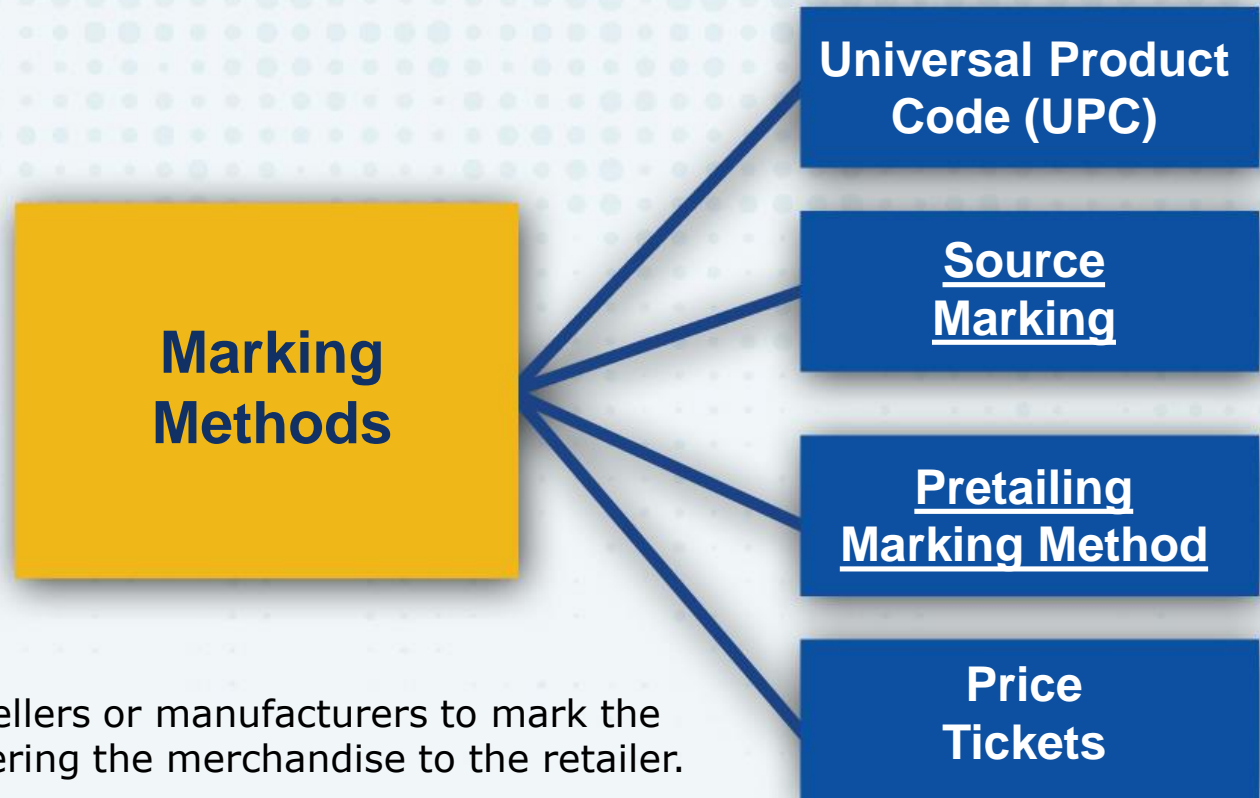
## Stock Handling

### Graphic Organizer

#### Reasons for Returning Merchandise



## Stock Handling



### source marking

Method used by sellers or manufacturers to mark the price before delivering the merchandise to the retailer.



### preretailing marking method

A method of marking in which the pricing information is marked in advance on the purchase order, then entered into the buyer's computer system, and prices are available for marking as soon as merchandise is received.

## Stock Handling

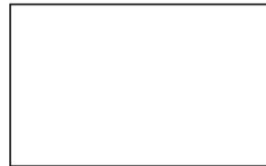

### Graphic Organizer

The Different Methods  
of Marking Merchandise  
and the Benefits of  
Each Method

#### Marking Methods



#### Benefits





## Stock Handling

### Graphic Organizer

The Different Methods of Marking Merchandise and the Benefits of Each Method

#### Marking Methods

Universal Product Code (UPC)

Source marking

Preretailing marking

Price tickets

#### Benefits

- Allows tracking of merchandise
- Enables buyer to monitor sales

- Merchandise is marked before delivery to retailer
- Merchandise can be moved directly from delivery to sales floor

- Pricing information marked in advance
- Information entered into buyer's computer system

- Helpful when customer needs to return an item

## Stock Handling

### Types of Stock Transfers

**Transfers Between  
Departments**

**Transfers Between  
Stores**

**Transfers From a  
Store to a  
Distribution Center**

# Stock Handling



## After You Read

## Section 24.1

1. **Explain** why a receiving record is important.

A receiving record describes the goods received by a business. It is important because it serves as a permanent record of delivery.

# Stock Handling



## After You Read

## Section 24.1

2. **List** the four methods used for checking merchandise.

Blind check, direct check, spot check, and quality check are used for checking merchandise.

# Stock Handling



## After You Read

## Section 24.1

### 3. **Explain** how UPC codes assist in marking merchandise.

UPC barcodes allow the store to track sales and inventory levels. They also allow customers to spend less time at checkout when purchasing items.



# Inventory Control



## Before You Read

**CONNECT** Think about a time you went to a store, and an item you wanted was not available. How did you react?

## OBJECTIVES

- **Describe** the process for providing effective inventory management.
- **Explain** the types of inventory control systems.
- **Relate** customer service to distribution.
- **Analyze** sales information to determine inventory turnover.
- **Discuss** technology and inventory management.

## **THE MAIN IDEA**

Inventory owned by a business represents a capital investment until the products are sold. Effective inventory management and accurate inventory systems increase profits.

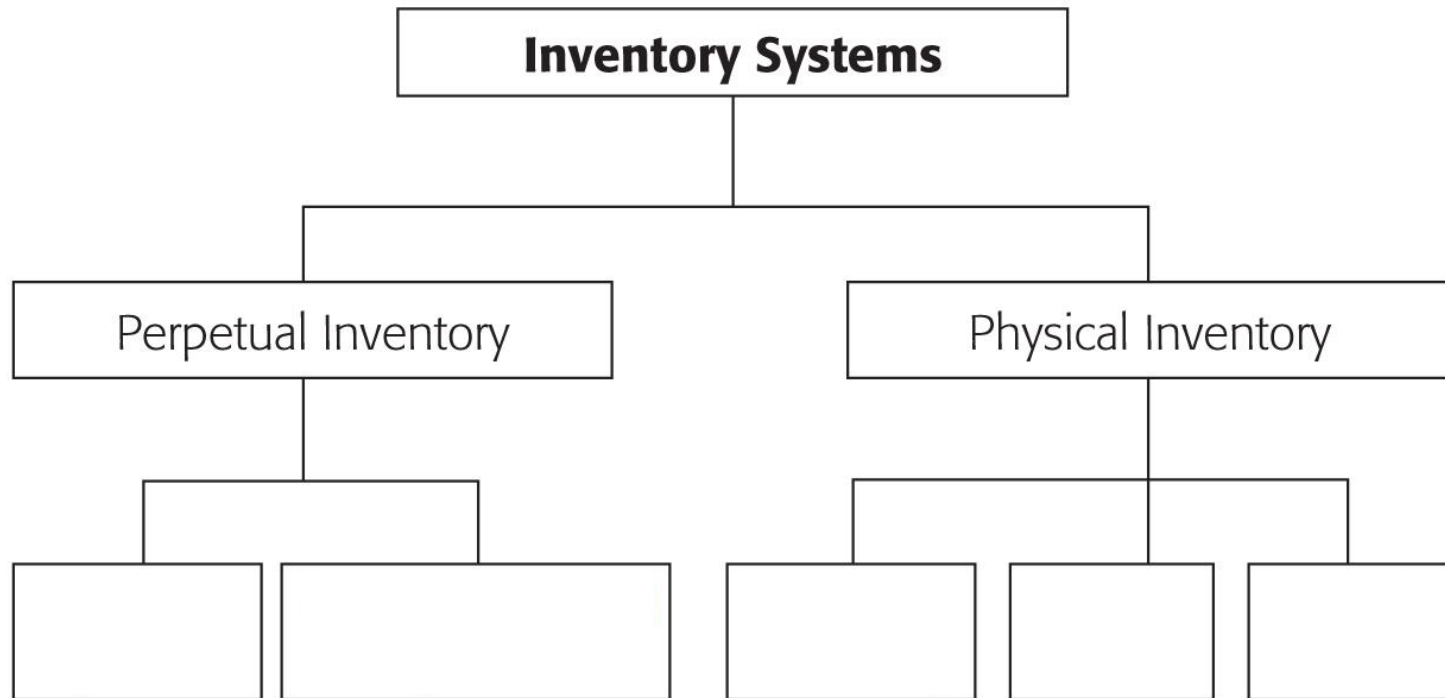
## VOCABULARY

- inventory
- inventory management
- just-in-time (JIT) inventory system
- perpetual inventory system
- physical inventory system
- cycle counts
- stockkeeping unit (SKU)
- dollar control
- unit control
- inventory turnover
- basic stock list
- model stock list
- never-out list
- real-time inventory system

# Inventory Control

Graphic  
Organizer

## Notes on Inventory Systems

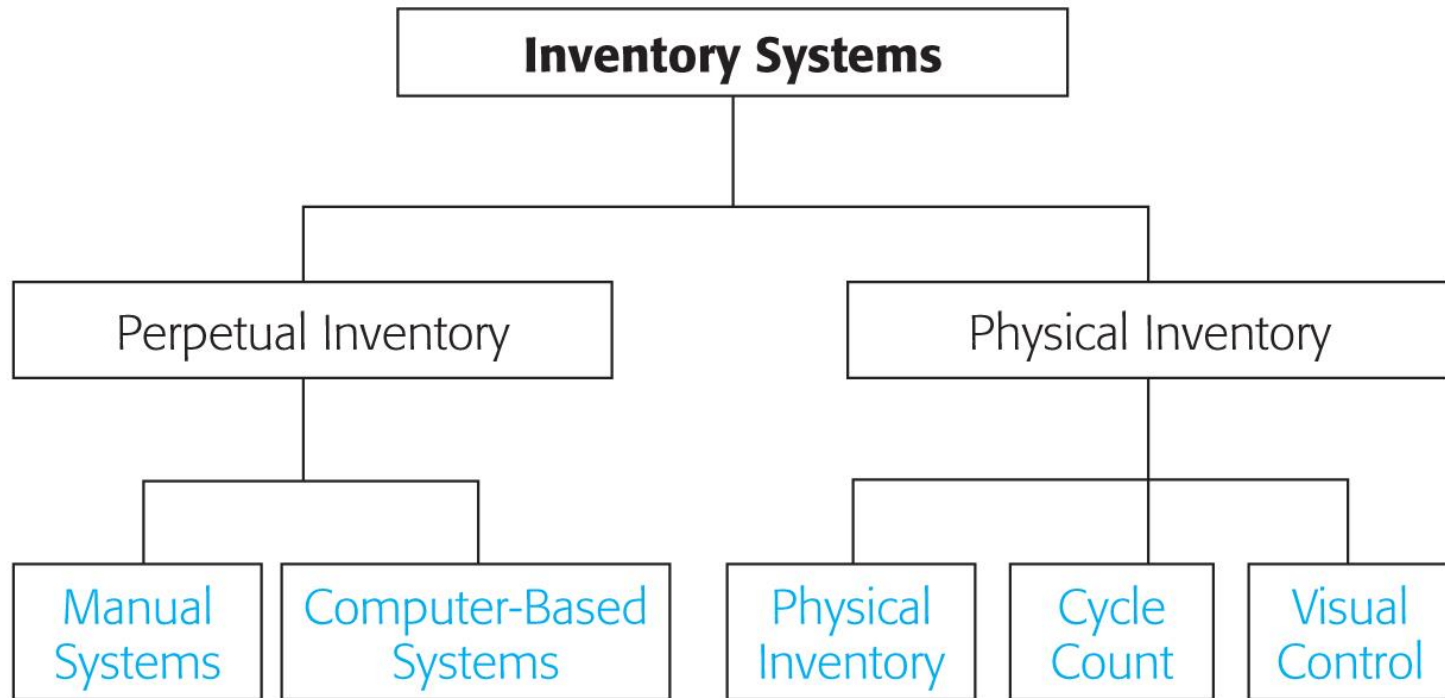




# Inventory Control

## Graphic Organizer

### Notes on Inventory Systems



## Inventory Management

**The inventory managed by a business depends on the type of business.**



### **inventory**

Amount of merchandise on hand at any particular time, including raw materials, parts from suppliers, manufactured subassemblies, work-in-process, packing materials, or finished goods.

## Inventory Management

### What Can Inventory Management Prevent?

**Storing the wrong merchandise**

**Too high inventories**

**Too low inventories**

**Misuse of storage space**

**Increased personnel costs**

**Increased interest and insurance expenses**



### **inventory management**

The process of buying and storing materials and products while controlling costs for ordering, shipping, handling, and storage.

## Inventory Management

Just-In-Time  
Inventory (JIT)

Electronic Data  
Interchanges (EDI)

Quick Response  
Delivery (QRD)



### **just-in-time inventory (JIT)**

A system that controls and coordinates the flow of parts and materials into assembly and manufacturing plants so that suppliers deliver parts and raw materials just before they are needed for use.

## Inventory Management

### **Retail Businesses Are Expected to Do the Following:**

**Maintain the right quantities of merchandise without running out of stock.**

**Keep a wide product assortment.**

**Purchase merchandise at large volumes.**

**Pay attention to what customers are buying and what they are not buying.**

**Keep a current inventory on hand.**



# Inventory Control

## Inventory Management

Graphic  
Organizer

List Types of Goods that Each of these Types of  
Businesses Would Keep in their Inventory

Manufacturing	Wholesaling	Retailing	Service	Extraction

# Inventory Control

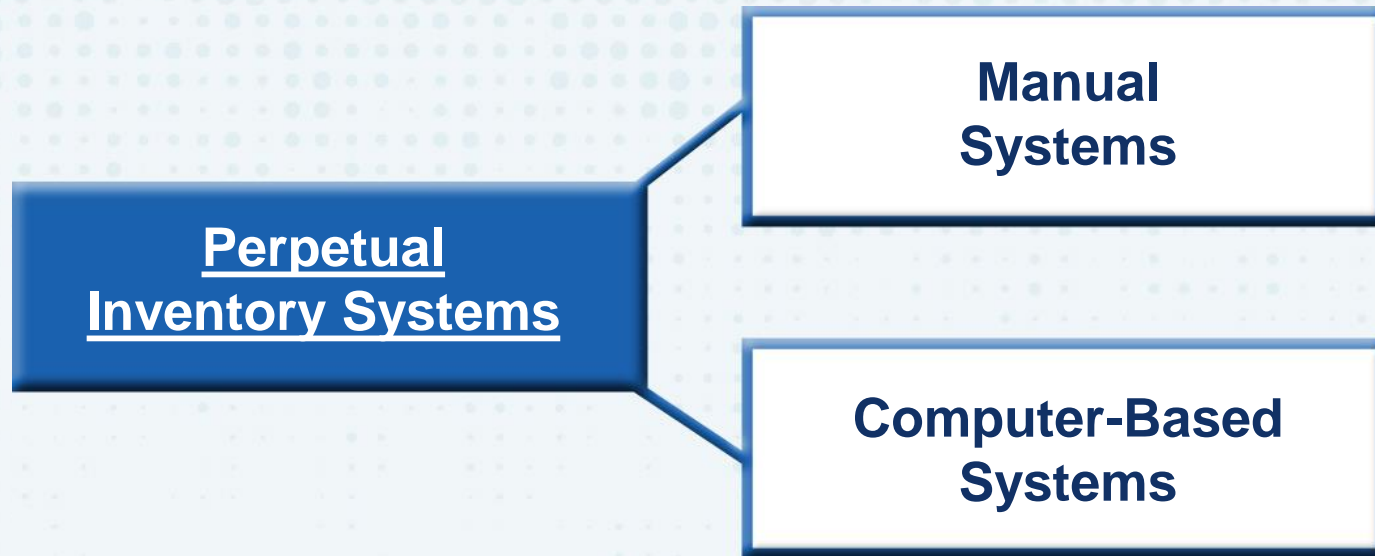
## Inventory Management

### Graphic Organizer

List Types of Goods that Each of these Types of Businesses Would Keep in their Inventory

Manufacturing	Wholesaling	Retailing	Service	Extraction
<ul style="list-style-type: none"><li>• raw materials</li><li>• parts purchased from suppliers</li><li>• work-in-process</li></ul>	<ul style="list-style-type: none"><li>• finished goods</li><li>• packaging materials</li></ul>	<ul style="list-style-type: none"><li>• finished goods</li><li>• packaging materials</li></ul>	<ul style="list-style-type: none"><li>• finished goods</li><li>• amenities</li></ul>	<ul style="list-style-type: none"><li>• machinery</li><li>• tools</li></ul>

## Inventory Systems



### **perpetual inventory system**

An inventory system that tracks the number of items in inventory on a constant basis; tracks sales and other transactions as they occur.

## Inventory Systems

### Physical Inventory Systems

**Physical Inventory  
Method**

**Cycle Count  
Method**  
Stockkeeping unit (SKU)

**Visual Control  
Method**



#### **physical inventory system**

An inventory system in which stock is visually inspected or actually counted to determine the quantity on hand.



#### **cycle count**

An inventory system involving a small portion of the inventory each day that is counted by stockkeeping units so that the entire inventory is accounted for on a regular basis.



#### **stockkeeping unit (SKU)**

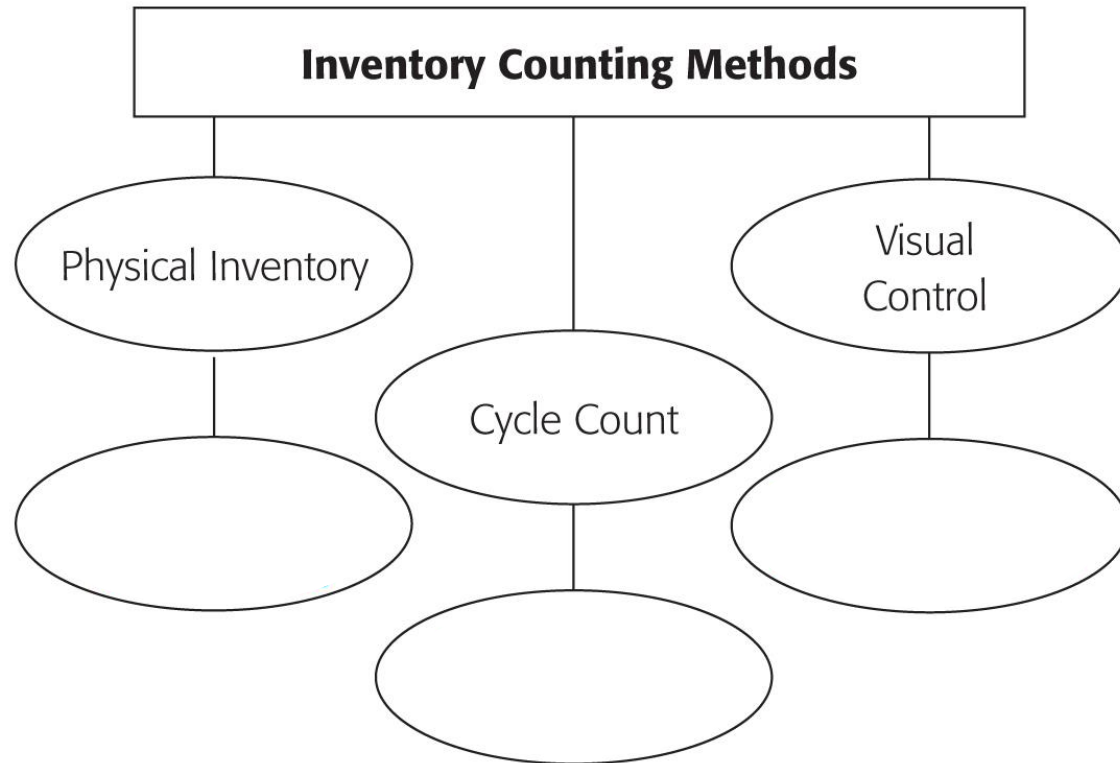
A unit or group of related items.

# Inventory Control

## Inventory Systems

Graphic  
Organizer

Describe the Three Inventory Counting Methods



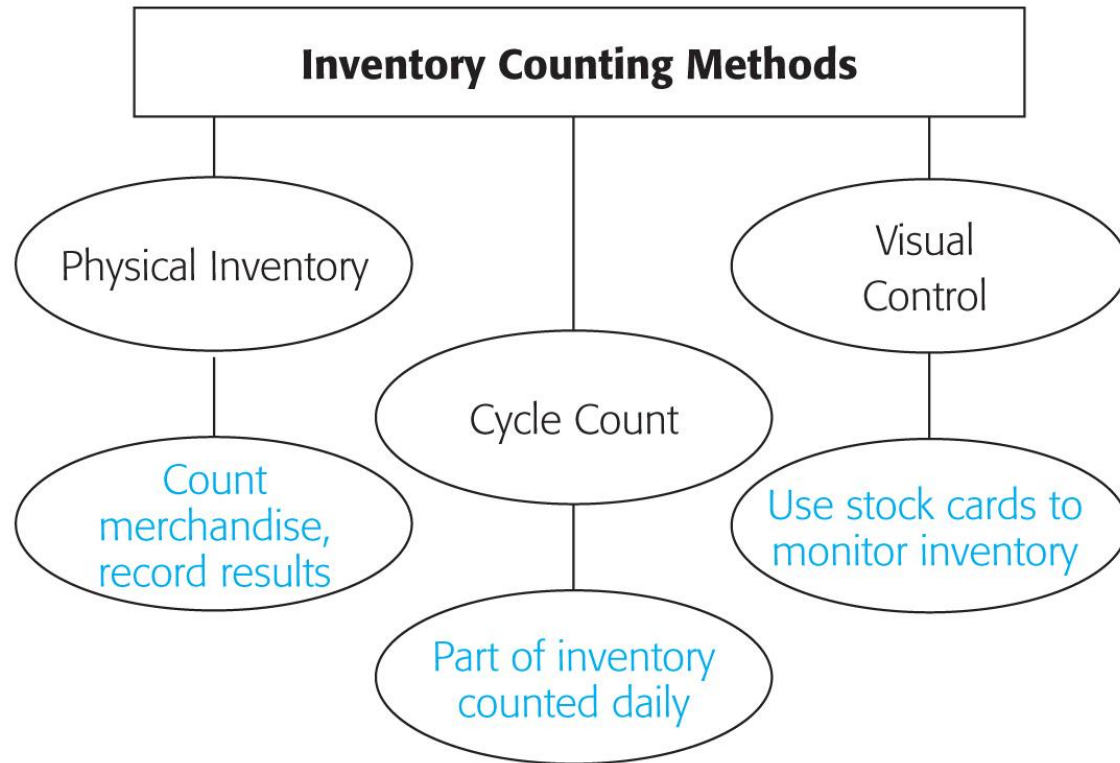


# Inventory Control

## Inventory Systems

Graphic  
Organizer

Describe the Three Inventory Counting Methods



## Stock Control

### Monitoring Systems

Dollar Control



#### **dollar control**

Represents the planning and monitoring of the total inventory investment made by a business during a stated period of time.

## Stock Control

### Monitoring Systems

Dollar Control

Unit Control



#### **unit control**

A stock control method that measures the amounts of merchandise a business handles during a stated period of time.

## Stock Control

### Monitoring Systems

Dollar Control

Unit Control

Inventory Turnover  
Calculations



#### **inventory turnover**

The number of times the average inventory has been sold and replaced in a given period of time.

## Stock Control

### Monitoring Systems

Dollar  
Control

Unit  
Control

Inventory Turnover  
Calculations

Stock  
Lists

Basic Stock List

Model Stock List

Never-Out List



#### **basic stock list**

A stock list used for staple items that should always be in stock.



#### **model stock list**

A stock list that is used for fashionable merchandise.



#### **never-out list**

A stock list used for best-selling products that make up a large percentage of sales volume.

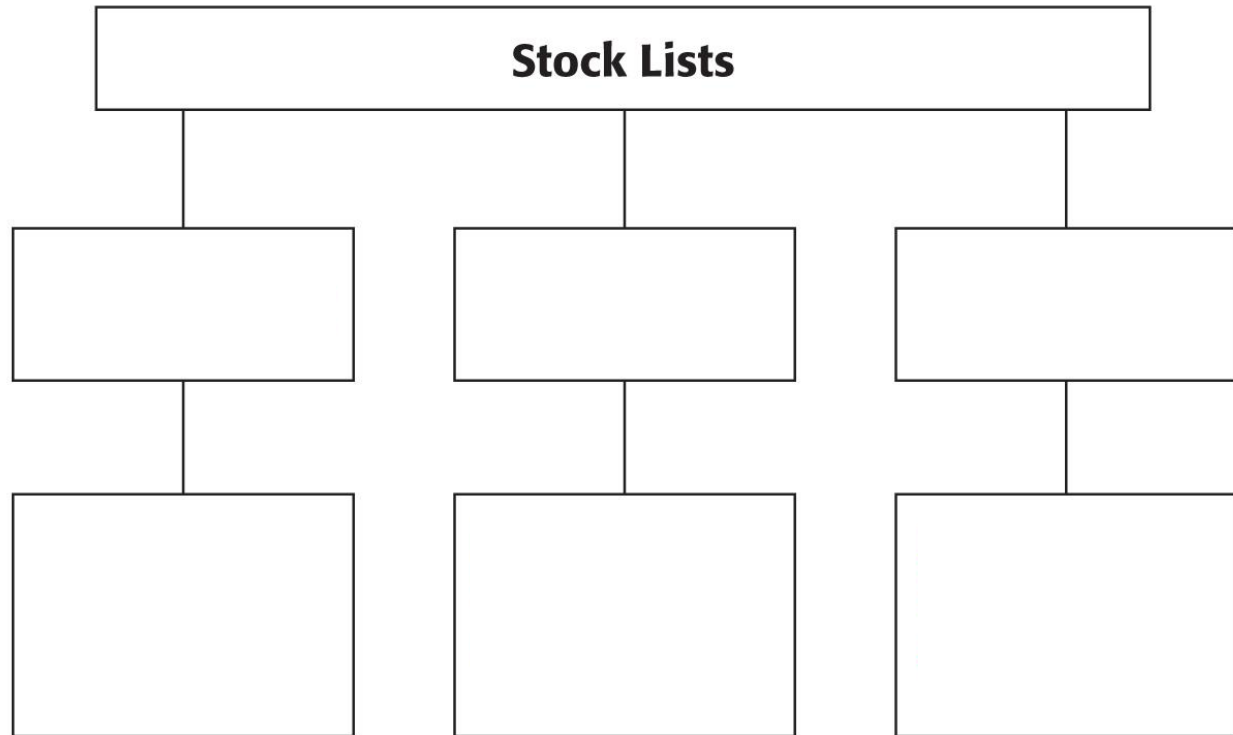


# Inventory Control

## Stock Control

Graphic  
Organizer

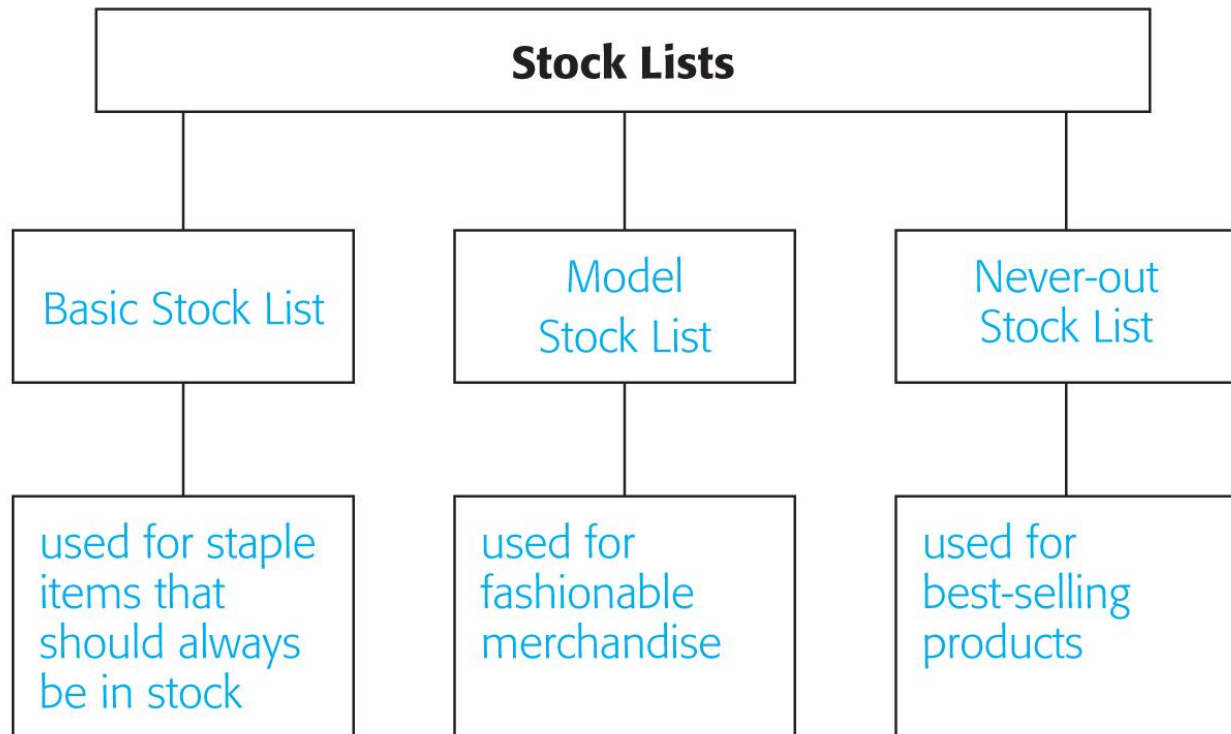
Different Types of Stock Lists and Details About Each



## Stock Control

### Graphic Organizer

#### Different Types of Stock Lists and Details About Each



## The Impact of Technology

### Real-Time Inventory Systems

Standardized Shipping  
Container Marking (SCM)

Radio Frequency  
Identification (RFID)

Warehouse Management  
Systems (WMS)

Universal Product  
Codes (UPCs)

Quick Response Delivery  
(QRD)

Electronic Data  
Interchange (EDI)



#### **real-time inventory system**

A system that uses Internet technology that connects applications, data, and users in real time.

# Stock Handling



## After You Read

## Section 24.2

1. **Describe** the difference between a perpetual and a physical inventory.

A perpetual inventory system tracks the number of items in inventory on a constant basis. Under a physical inventory system, stock is visually inspected or actually counted to determine the quantity on hand.

# Stock Handling



## After You Read

## Section 24.2

2. **List** the three different inventory counting methods.

Counting methods include physical inventory, cycle counts, and visual control.

# Stock Handling



## After You Read

## Section 24.2

### 3. **Explain** how to calculate stock turnover rates.

When a store wants to look at the number of items carried in relation to the number of items sold, it uses this formula:  $\text{Cost of goods sold} \div \text{average inventory on hand (at cost)}$ . When a store wants to calculate its inventory turnover rates in units, it uses this formula:  $\text{Number of units} \div \text{average inventory on hand in units}$ .



# Marketing Essentials



## End of Chapter 24

**stock handling and  
inventory control**

**Section 24.1**  
**Stock Handling**

**Section 24.2**  
**Inventory Control**