

BUSINESS ADVICE: STOCK SELL THROUGH

GROWTH

How many of your business purchase decisions are based on analysis and how many on gut feelings?

Probably 54 per cent of people reading this article do not carry out proper statistical analysis to help in making frame buying decisions.

I quote 54 per cent because this is the number NOT measuring frame stock turn in a recent survey of opticians undertaken by Stepper in the UK.

FACT. Analysing stock sell through (measured in stock turn) is the only way to make informed purchase decisions, meet customers' needs over time and maximise profitability.

BUY WHAT YOU 'LIKE'

Feel free to buy frames based on what you like, as long as you like them because they meet customer's needs, have a good stock sell through and make good profit. You cannot afford to 'like' a frame for any other reason. Emotion, aspiration, instinct, sympathy or coercion have no place in frame buying.

CHANGE YOUR APPROACH AND CHANGE YOUR BUSINESS

A rational, analytical approach to stock and buying will make a significant improvement in your business.

Having worked in a business with up to 150 practices, I know the positive impact proper analysis of frame sales can have on the bottom line.

This impact can happen very quickly. It requires a little time and a lot of discipline.

VALUABLE MANAGEMENT TOOL

To effectively measure stock sell through you need to consider what you want to get out of any analysis.

I've read of ideal stock turns of four per year. If you knew this for your practice, what would be the value of this information to you? I'd argue, not a lot. OK, so it might go up over time; you're doing well. Or, it might go down; you're not doing so well.

Stock sell through figures are as individual as a practice. Nice to know but of limited value for decision making.

What is important to you is relative stock sell through of different products and how this is moving over time.



Relative to what? You need to decide what you want to measure. Measure meaningful groups of frames that you can compare the sales performance against within your practice.

This will, in turn, influence how you organise and merchandise your frame product. It's a great discipline as this also helps your staff and your customer understand your frame offering.

THE FOLLOWING IS A SIMPLIFIED WORKED EXAMPLE

How to Measure Stock Turn

- Plan your frame showroom into key frame areas (categories) to allocate relative frame stock levels.
- It is most useful to calculate this using your merchandising system so your final stock plan makes sense within the showroom. Most systems are arranged in 'drops' of approximately 14.
- If you have 30 'drops' this gives you an ideal stock level of $14 \times 30 = 420$.
- From this you will need to carve up your drops into key categories, with stock weighted depending on the nature of your practice, typically:
 - i. Children's and teens
 - ii. Voucher
 - iii. Women's
 - iv. Men's
 - v. Designer
 - vi. Rimless

WOMEN'S 'BRAND X' PLASTIC EXAMPLE

Let's take 'Women's' category as a worked example:

Say of the thirty drops six are allocated to Women's. Of those six drops, one is a theoretical brand, 'Brand X'.



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There are, therefore, fourteen pieces of 'Brand X' to monitor. In this case I would recommend dividing the stock into seven metal and seven plastic.

As the characteristics and appeal of metal and plastic are different the relevant stock turns need to be measured. We will look at plastic.

Each category, drop and sub group needs to be measured.

Category = Women's
Drop = 'Brand X'
Sub group = Plastic

DAILY ACTIVITY

As you sell a women's 'Brand X' plastic make a note on a spreadsheet (preferably electronic).

At the end of each day reorder by what you have sold; if you sold two Women's 'Brand X' Plastics reorder in this sub group (it doesn't need to be the same model - just the same Category/Drop/Sub Group.)

Repeat this process daily, making a note on your spreadsheet and reordering to maintain the subgroup of seven.

QUARTERLY ANALYSIS

At the end of three months analyse your results.

Let's say in this period you sold five Women's 'Brand X' plastic frames. As you sold each one, you replenished your stock so your stock level of this Sub Category remains seven.

Now you can begin to analyse stock turn and project your three months results into an annualised stock turn.

Five Sales in three months (one quarter year) would equal 20 sales in a year (5 x 4 quarters).

A stock turn is given by dividing the annualised sales for this Sub Group (20) by your maintained stock level for this Sub Group (7).

$$20/7 = 2.89$$

The projected annualised stock turn for this sub group is 2.89.

Make a note of this figure.

As each quarter ends repeat this exercise – this will allow you to compare quarterly performance – is it improving or worsening?

As each quarter builds you will develop a more robust stock turn figure.

EASY PITFALLS THAT CAN AFFECT YOUR RESULTS

If you run promotional activity (e.g. a sale) be aware that this will potentially affect your stock sell through. It could increase it but at a commercially detrimental price, possibly causing a switch sale from a frame that would have sold on its own merits at full price.

You will need to be aware of this and make an allowance for this.

Compare Across Other Groups in Your Practice



Where analysing Stock Sell Through begins to add value within your business is when you compare all your Sub Groups.

It is the comparative data that is important to you as a business tool.

To help analyse figures, sort them in highest to lowest stock turn order. Now you have true insight into how your frames are performing. You may have some very revealing surprises.

You can now look at your under and over performers and need to make some important decisions.

UNDER ACHIEVERS AND STAR PERFORMERS

UNDER ACHIEVERS

These frames are the weakest performers in your practice. You need to ask yourself why you are stocking them in high quantities, or stocking them at all. This can be a harsh, or disappointing revelation, but the correct action needs to be taken.



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STAR PERFORMERS

These are the stars in your practice, but you need to look at why. Did you have very low stock levels during this period? Whatever you discover, it is most likely you need to increase your stock of these frames. However, be strict and work on a one in one out basis. You can only increase in this area as you decrease your underperformers.

Don't Forget Profitability!

There's one more element to add to this equation. How much profit did these Sub Groups generate? This needs to be shown in relation to Stock Sell Through.

Sub Group Profitability	Women's STEPPER Plastic
Stock Pieces/Cost	7 Pieces / £245 Cost
Average Profit (Per Piece £)	£70
Stock Turn	2.89
Profitability	£1,416.10

The stockholding cost of generating
£1,416.10 of profit = £245

For comparative purposes this needs to be seen
as a ratio:

$£1,416.10 / £245 = 5.78$

5.78 is the comparative figure. From this you can look at the relative profitability of all the sub groups within your practice. The higher this figure the better. Include this profitability score in your Sub Groups analysis tables to assist you in your Stock Turn analysis. You will tend to find these are closely related.

So to Maximise Stock Sell Through

- Organise your stock into meaningful Categories, Groups and Sub Groups.
- Once organised, maintain stock numbers in these groups.
- Measure sales and review every three months.
- Identify underachievers and star performers.
- Take action by increasing or reducing frame Sub Group stock profiles in accordance.
- Be mindful of the profitability of Sub Groups.

FREQUENCY OF ORDER



How often do you return to a store or recommend a shop because it has the best selection of brand 'A'? How do you feel when that brand is no longer there, or the offering is diminished?

Your customers see you in the same way. They like you, your staff, your service, but don't forget it is the product they wear on their face day in day out. This is what they love and they know they can get it from you.

Your frame offering is an important part of your customer relationship with you. So buying requires discipline.

Imagine a high street retailer doing any of the following:

- Waiting until they were completely out of stock of a fast selling item until they reorder.
- Once they have sold out of a best seller, swap into its place a brand that doesn't sell so well, awaiting to reorder the best seller only once that slow selling brand has sold.
- Holding off buying bestselling brand until their bestselling brand supplier makes an appointment to see them.
- Buying an unproven brand from a supplier just because a representative walks in, then placing the unproven brand into a space normally taken by a bestseller.

This buying behaviour would be crazy. But opticians fall into these traps with too much frequency.

Now, we're not selling baked beans, but because the frequency of opportunity to sell a frame is low and the resulting frame purchase decision can play a critical part on whether a customer is satisfied with a purchase and returns next time, an optician cannot afford to make a mistake.



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The right frame mix needs to be available to all customers at all times; day in, day out. If you don't, a customer will walk or not return.

So have a buying plan:

- Decide how many of each brand you need. Drill this down to numbers by gender, material, full rim/supra/rimless and keep to this plan.
- Buy regularly. Weekly buying might suffice, but a couple of successful clinics can leave you short, so be flexible.
- Replace what you sell – keep a note of what has been sold and buy a direct replacement. Maybe try another colour, or a similar new model.
- Use supplier's websites to keep up to date with their frame collections. For example, the Stepper collection can change every month.
- Take advantage of buying via the internet. Online ordering from suppliers means you can buy outside trading hours giving you flexibility to order when best suits you and your practice.
- Don't let bad buying decisions of the past affect your future business. If you insist on only buying new until you have sold slow moving stock, you will end up with a practice full of slow selling frames.

BUYING

Now you are analysing Stock Sell Through and the relative profitability you need to manage your stock as you move forward.

NEXT DAY DELIVERY

Many suppliers offer a next day delivery service so you can replenish stock as you go along. This is most helpful when trying to manage your stock in this way. Replenishing 'just in time' also helps with cash flow.

KEEP IN TOUCH WITH SALES REPRESENTATIVES

It's good to see sales representatives from frame companies so you can evaluate new styles and keep abreast of current trends and developments. But, give your star performers priority when organising sales visits

from frame companies. Your stock plan will also help you remain focussed on the needs of the business rather than just buying what you want.

Above all, good business information is everything and your business is unique. Understand the facts and figures for your business and work with knowledge not instinct.

Blob -Recent Stock Sell Through and Stock Turn Research Carried Out by Stepper in the UK.*

We surveyed a sample of UK Stepper customers on Stock Sell Through.

Although a surprising proportion (54 per cent) admitted to not measuring stock sell through, for those who did, Stepper performed particularly well.

It was good news for Stepper as 65% noted the Stepper frames were measured to be either the best or among the best frame collections for stock turn.

When making buying decisions, 50 per cent said that stock sell through was very important in deciding to buy Stepper. For the remaining 50 per cent this was quite important.

50 per cent of the survey ordered frames as they sold them in preference to waiting until they saw a frame representative.

In addition, we discovered an average Stepper stock turn of three, with individual practices managing a stock turn as high as 4.5 for Stepper product.

*Source Stepper (UK) Ltd online customer survey, November 2016 and telephone/visit survey December 2016.

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