

# MATCOM

- ORDERING GOODS

a learning element for staff of consumer cooperatives

international labour office, geneva

© MATCOM 1978-2001

by Urban Strand



**MATCOM**  
**Material and techniques for cooperatives management training**

The MATCOM Project was launched in 1978 by the International Labour Office, with the financial support of Sweden. In its third phase (1984-1986) MATCOM is financed by Denmark, Finland and Norway.

In collaboration with cooperative organizations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. For reproduction, adaptation or translation, application should be made to ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Copyright © International Labour Organization

# ORDERING GOODS

## Contents

Introduction	3
Selection of suppliers	4
Ordering intervals	6
Re-ordering levels	9
Ordering quantities	12
Ordering techniques	15
Irregular demand	21
Replacement orders	23
Summary	25
"Check-out"	26
Complementary exercises	28

MATCOM Element No: 14-02

Edition: Universal 1982

ISBN: 92-2-103088-1

## HOW TO LEARN

- Study the Element carefully.
- Give written answers to all the questions in the Element. This will help you not only to learn, but also to apply the knowledge in your work at a later stage.
- After studying the Element on your own, discuss it with your instructor and your colleagues, then take part in the practical exercises organised by your instructor.

## TRAINER'S NOTES

are available for this Element. See the Trainer's Manual.

---

Original script:	Urban Strand
Illustrations:	Reinhard Palden

---

Printed in Turin, Italy, 1982

## INTRODUCTION

Thomas is the manager of the Ilangu Co-operative shop, and Betty is one of the assistants.



Thomas is busy in the office when Betty enters.

"I just sold the last packet of soap," she tells him.

"Are you sure there isn't another box of soap in the store-room?" he replies.

"I can't find any."

"Well, then I'd better go and get some. Any other goods we need?"

Thomas prepared an order form and went to the wholesaler. A few hours later he returned with two boxes of soap and some other goods.

"Good you are back. Three customers have asked for soap while you were away," said Betty.

"Don't worry, they'll come back," said Thomas.

"I don't think so," said Betty. "They went to Watson's Grocery Store - they never run out of stock, you know."

Thomas felt a bit ashamed. It had happened too often lately that goods were out of stock in his shop, and the customers had to go elsewhere. As a matter of fact, the shop inspector had told him that something was wrong with his ordering system.

Yes, maybe he was right. Thomas decided to do something about it.

## SELECTION OF SUPPLIERS

Maybe the cause of the problem was with the suppliers, the wholesalers? Could they be blamed for Thomas' problems?

For a retailer it is very important to have good, dependable suppliers of goods. In many places the choice may be very limited, because the Government has given the sole right of wholesaling to some national trading companies, or there may be a co-operative wholesale society which serves all co-operative shops.

In Thomas' case, he actually had a choice. There were several wholesalers operating at Ilangu. The Bottling Company, the Dairy and the Textile Company were the sole distributors of their products, but there were several suppliers to choose between for the supply of groceries and hardware.

When Ilangu Co-operative opened some time ago, Thomas had checked the stock range of all the wholesalers. Three of them stocked most of the goods he needed; Milton's Wholesale Company, Ruta Brothers and the Southern Trading Company.

Thomas wanted Ilangu Co-operative to become a regular customer of one of these companies, because regular customers normally receive better service than the occasional customer. For instance, as a regular he could expect priority and a fair supply in case of shortages.

Ruta Brothers was the smallest company of the three. Their prices were sometimes a little lower. Thomas had ordered some goods from them, but had to stop because they could not deliver what he had ordered.

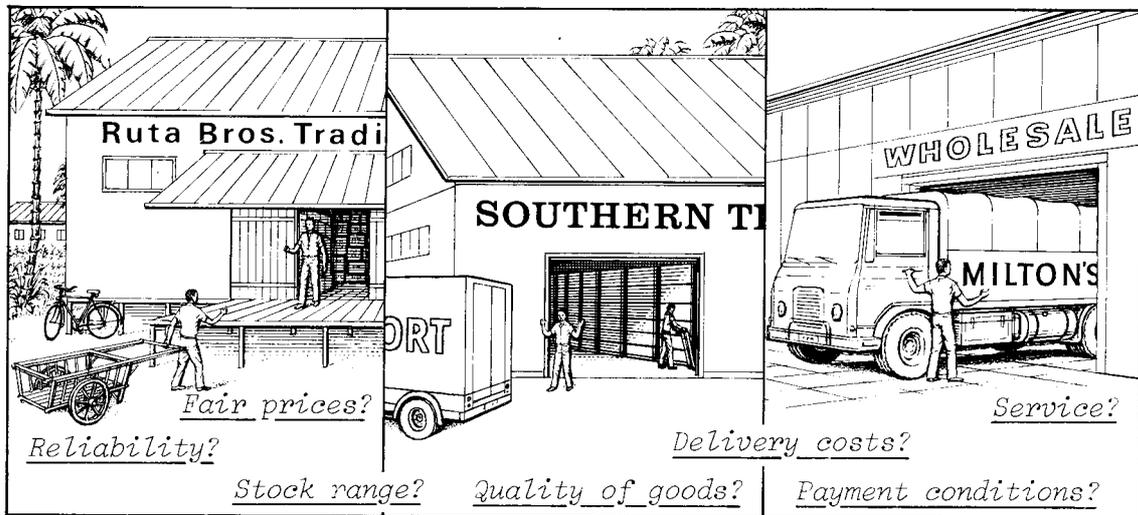
Milton's and Southern Traders were charging about the same prices. Southern Traders offered a 10% discount on orders above T\$25,000.\* Milton's gave no discount, but offered

---

\* We use an imaginary currency here, because this booklet is used in many countries. We call it "Training dollars and cents" (T\$ and c).

delivery free of charge to the shop once a week. Thomas found the free delivery more valuable than the 1% discount. He seldom purchased quantities large enough to benefit from the discount, anyhow.

Milton's were known to keep their promises and to deal with complaints in a fair way. Further, they offered good payment conditions - 10 days to pay the invoices. So Thomas and his committee had decided that Milton's Wholesale Company was the best supplier for Ilangu Co-operative. So far he had not had any reason to regret that decision. No, Milton's could not be blamed for the "out-of-stock problems" in Thomas' shop, there must be another reason.



?

Prepare a list of the things you have to think about when you select a supplier.

## ORDERING INTERVALS

"You should have fixed days for preparing the orders and receiving the goods," - this was one of the remarks of the shop inspector when he talked to Thomas about his ordering system. "And make full use of Milton's free delivery service once a week instead of going there yourself to pick up goods time after time. A good ordering system will help you to avoid mistakes and you will save time and become more efficient."

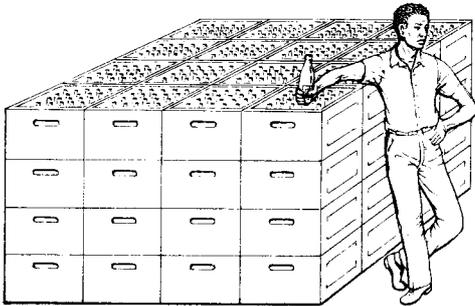
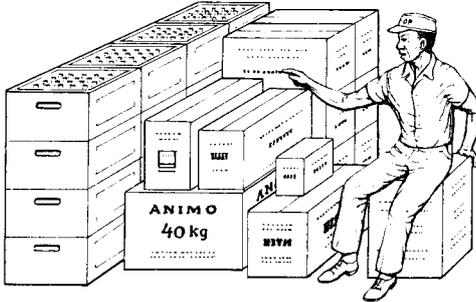
Thomas decided to take the advice of the inspector. He agreed with Milton's Wholesale Company that he would send them his order every Tuesday, and the goods should be delivered the following Thursday.

But what about the other suppliers like the Bottling Company and the Dairy? Thomas understood that he ought to order regularly, but he had some difficulties to decide at what intervals.

The Ilangu Co-operative usually sold soft drinks for about T\$4,000 a month. First Thomas thought that he should prepare just one large order every month. Then transport would be cheaper, and they would also get a special bonus because they ordered so much at a time.

Then Thomas realised that there were some disadvantages, too. It would be very difficult to accommodate so many bottles in the shop, there would hardly be any space left for other goods. And it would not be easy to predict which types of drinks would be sold during a whole month so some might be finished and he would have to send in extra orders anyway. Thomas was also afraid that the bottles might become very dusty or some even damaged when stored such a long time. But the main disadvantage which made him give up the idea concerned the use of the available capital.

If soft drinks were ordered once a month only, the co-operative society would have to pay some T\$4,000 to get a sufficient stock. They could not afford that unless they reduced purchases of other goods. The stock range would be decreased and so would the sales. Thomas compared the two alternatives: monthly and weekly purchases.

<u>Monthly purchases</u>	<u>Weekly purchases</u>
<p>Thomas orders drinks for T\$4,000. It takes a whole month to sell this stock.</p> 	<p>Thomas orders drinks for T\$1,000 only. He uses T\$3,000 for other goods. All is sold within a week.</p> 
<p>Surplus made in one month: (10%) <span style="float: right;">T\$ 400</span></p> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> <p>Total <span style="float: right;">T\$ 400</span></p>	<p>Surplus made in one month: (10%) each week <span style="float: right;">T\$ 400</span></p> <p style="text-align: right;"><u>          x 4</u></p> <p>Total <span style="float: right;">T\$1,600</span></p>

The gross surplus earned on the T\$4,000 invested in stock would be four times higher if the stock was turned four times a month instead of just one.

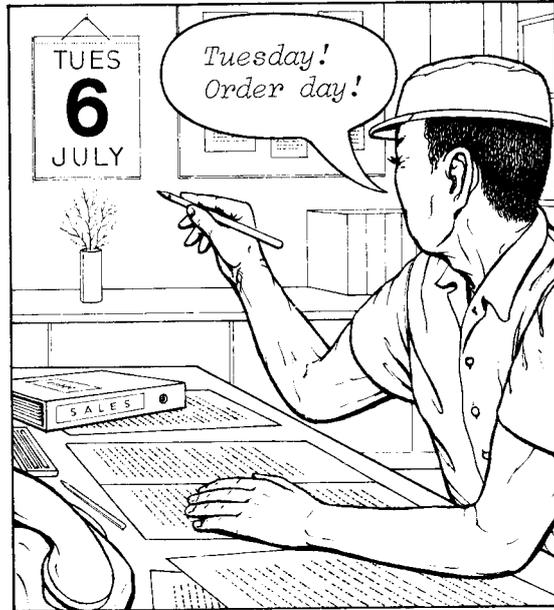
So Thomas decided to start ordering soft drinks weekly. In general it would be practical and economical to order most goods once a week. Only fresh food would need to be ordered more often in order not to deteriorate.

At places where transport is very expensive, it might be necessary for the smaller shops to order less often, maybe once or twice a month only. It may also be a good idea to find out if transports, and thus the transport costs, could be shared with some other shops.

With the new system of regular ordering on fixed days, Thomas had to remember two things only:

- to prepare orders every Tuesday,
- to order the right quantities, so that nothing would run out of stock.

We shall soon see how he managed to do that.



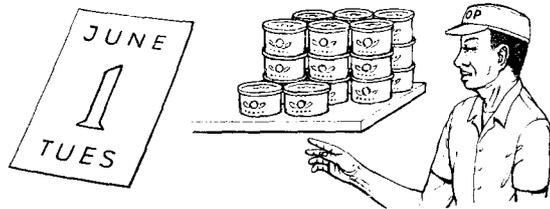
Why is it a good idea to have a fixed ordering day?

## RE-ORDERING LEVELS

Thomas had decided to order groceries once a week, and he was now determined to avoid any "out-of-stocks" in the future.

On Tuesday morning - order day - there were some 20 tins of margarine left in stock. If Thomas ordered more margarine now, he would get it on Thursday, but by then he would certainly still have plenty of margarine left of the old stock.

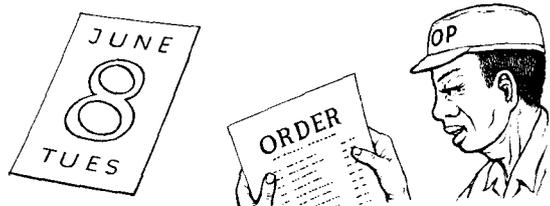
Thomas thought that 20 tins were quite a lot, so he did not order any margarine.



On Saturday the stock was exhausted. He had to explain the shortage to the customers.



Next Tuesday he did not forget to order margarine.



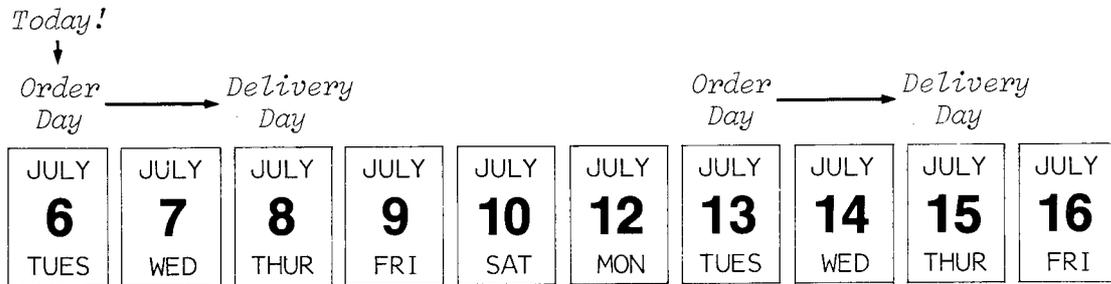
But he did not receive the new stock until the following Thursday. Almost a week without any margarine in the shop!



Thomas realised that he should definitely have ordered margarine when there were only 20 tins left. He simply had miscalculated the sales and the long time until the next order day. Let us help Thomas to properly calculate the order.

To determine the re-order level

Today is order day, Tuesday 6 July. The question is: should Thomas order margarine or not?



If he orders now, he will get the delivery on Thursday 8 July.

If he decides not to order anything this week, he will get another opportunity on Tuesday next week. Then he will receive the margarine on Thursday 15 July.

So, if Thomas does not order today, the present stock of margarine must last from today until 15 July. This is one and a half weeks.

To make the correct decision, Thomas needs to know two things. The first one is easy to find out: how many tins are there in stock today? Thomas counts. There are 30 tins.

The second one is more difficult: how many tins will be sold during the next one and a half weeks? Margarine is a rather common item, requested by several customers every day. Thomas tries to estimate - well, in a week they may sell 30, sometimes as much as 40 tins.

That means in one and a half weeks - the time until the next delivery day - they may be able to sell at most 60 tins.

60 is the smallest number of tins Thomas needs to have in stock today, if he is to postpone the ordering and yet be sure not to run out of stock. 60 is "the minimum safe stock level" for one and a half weeks.

We can say that 60 is the re-order level for margarine. If the stock is below this level we must order. If the stock

is above this level, we need not order anything this time, we can wait until the next order day.

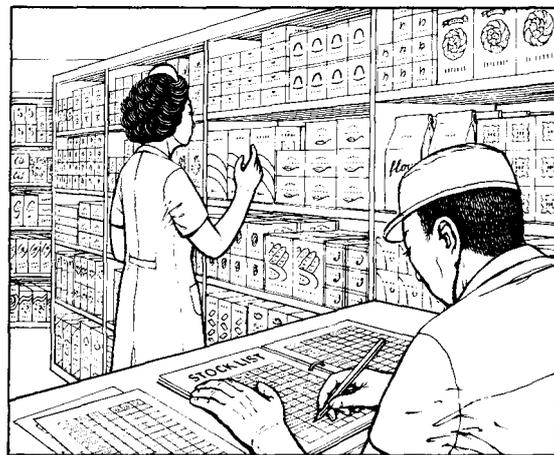
Thomas has only 30 tins of margarine in stock, and the re-order level is 60. He has to order some more today.

The re-order level is a very useful figure. It helps us to quickly see if we need to order any more goods, or if we can postpone the ordering until next ordering day.

Thomas has to determine the re-order levels for all the goods he keeps in stock. Betty, the shop attendant, helps him.

"We might sell as much as 30 tins of coffee during one and a half weeks. And some 100 small packets of tea."

In this way they go through the stock list and determine the re-order levels for all the various commodities in the shop.



They try not to overestimate how much they will be able to sell. But when they do not know for sure, they add a little, because they want to make sure that nothing runs out of stock.

Thomas notes the re-order levels for all goods in a special book. More about this later.



Mention some disadvantages of setting the re-order levels ...

a) too low

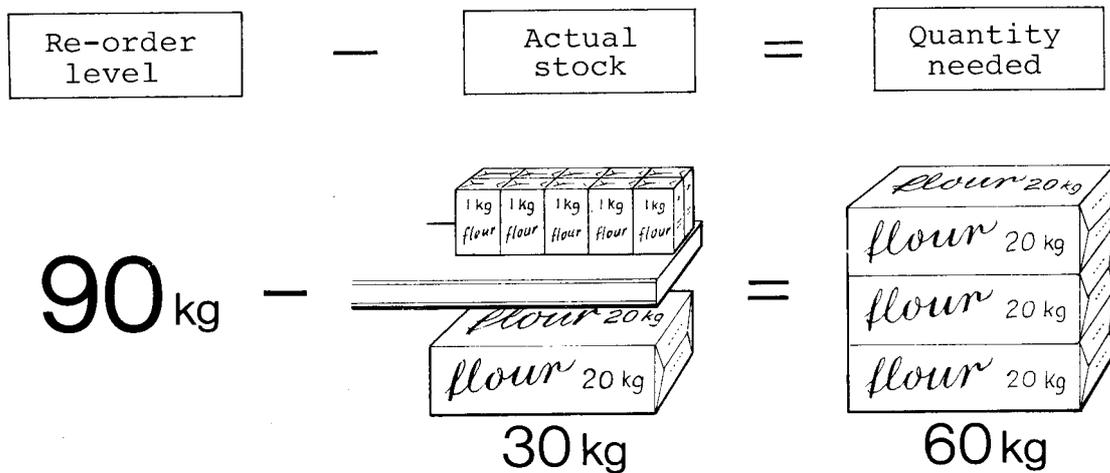
b) too high

# ORDERING QUANTITIES

Again it was Tuesday morning. In the Ilangu shop, Thomas prepared the weekly grocery order. The stock of wheat flour was some 30 kg. It was just enough for a few days' sale, so he had to order more. How much should he order?

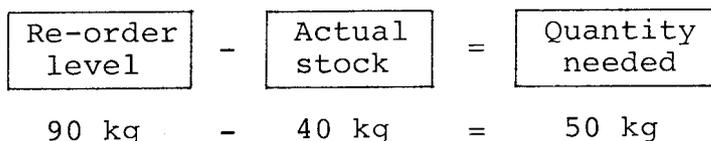
The re-order level for wheat flour is 90 kg. If there had been at least 90 kg in stock, there had been no need to order anything now. Thomas could have postponed ordering until next week, without risk of running out of flour.

But now he actually had a stock of 30 kg only. It was 60 kg less than the level of 90 kg. Therefore Thomas should order at least 60 kg.



Thomas needed to order 60 kg of wheat flour. At Milton's Wholesale Company they sold wheat flour in bulk packages of 20 kg. So Thomas ordered 3 such packages.

Suppose there had been 40 kg of flour left in stock. In that case Thomas should have ordered 50 kg only.



50 kg of wheat flour is 2 1/2 bulk packages. But Milton's sell only full packages. Thomas must choose to buy either two or three packages, that is 40 or 60 kg of flour.

If Thomas had needed just 41 or 42 kg he could have taken a chance and bought only 2 packages = 40 kg. But since he needs 50 kg he is likely to run out of stock unless he buys 3 packages = 60 kg. It is better to be on the safe side, particularly when ordering an item which the customers are not willing to wait for.

To order the right quantity of a commodity, we need to know two things:

- What is the smallest quantity we need to order?
- What is the content of one bulk package?

How much should Thomas order? Fill in the column "Number of packages to order".

<u>Item</u>	<u>Re-order level</u>	<u>Stock</u>	<u>Content of 1 bulk package</u>	<u>Number of packages to order</u>
Tuna fish	28 tins	5 tins	24 tins	_____
Rice	120 kg	40 kg	50 kg	_____
Detergent	32 pkts	25 pkts	20 pkts	_____
Soap	30 bars	9 bars	10 bars	_____

### Irregular supply

Thomas was very careful to prepare the order every Tuesday morning. He checked all the stock and compared it with the re-order levels. Yet, one day Ilangu Co-operative ran out of sugar.

This was due to a general shortage in the region, sugar was simply not available at the wholesalers. A month passed before there was again any sugar.

Thomas could have avoided running out of stock if he had ordered the sugar earlier, and if he had ordered a quantity large enough to last the whole month.

Last month there had been a shortage of cooking oil and detergent. Who knows what goods will be out of stock at the wholesale depot next month, Thomas thought. If he was to avoid any more shortages of this kind, his stock would need to be increased enormously. The co-operative would become more like a godown than a shop. And Ilangu Co-operative had neither the space nor the money for that.

But Thomas realised that certain goods were more important than others, e.g. salt, sugar, kerosene and matches. They were used almost daily by most members, and there were no substitutes for them in case of a shortage. Therefore Thomas decided to lay in an extra stock (a "buffer stock") of these essential items. Thus he would probably be able to avoid the shortages which were most irritating to the members.

On pages 10 - 11 we learned how Thomas calculated the re-order levels for all the goods in his shop. In order to form buffer stocks Thomas should now simply increase the re-order levels for these essential goods. For instance, if he doubled the re-order level for salt, he would always have a buffer stock of salt that would last for one extra period in case the supplier suddenly ran out of stock.

## ORDERING TECHNIQUES

Thomas has now developed a system for his ordering. These are the corner-stones of the system

- He orders goods at regular intervals (e.g. once a week for groceries).
- He has a fixed order day (Tuesday for groceries).
- He has fixed re-order levels for all goods.

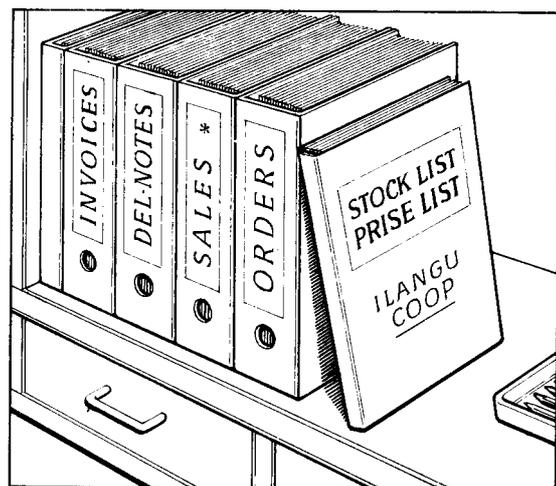
The actual preparation of the order every Tuesday morning seemed to involve a lot of work. For each commodity, Thomas had to:

- check the actual stock;
- calculate how much he needed to re-order, if anything;
- translate this quantity into a number of bulk-packages.

As Thomas feared that this work would take too much of his time, he soon found a technique that made the weekly ordering run smoothly.

### A stock list

First of all Thomas decided he needed a list of all the goods sold in the shop. That would help him not to forget anything when preparing the order.



Some wholesalers print special catalogues of all the goods they sell, or even special order forms, which can be used by the retailers. Unfortunately, there was no such suitable list from Milton's, so Thomas had to make up his own.

Thomas already had a price list for his complete assortment. For practical reasons he decided to use the same list for his ordering work, with only minor additions.

In this list the various goods were grouped together in a logical way. Tinned food of all kinds were written on one page, bread and biscuits on another, spices on a third, cereals on a fourth, cleaning material on a fifth, and so on. It was very easy for Thomas and his assistant to look up any article in the list quickly.

All the pages were kept in a sturdy ring-binder, and the lists were filled in with pencil. This made it possible to change prices and other information when needed, and any page could be completely re-written and exchanged if there were too many changes.

Here is a sample page from the stock list:

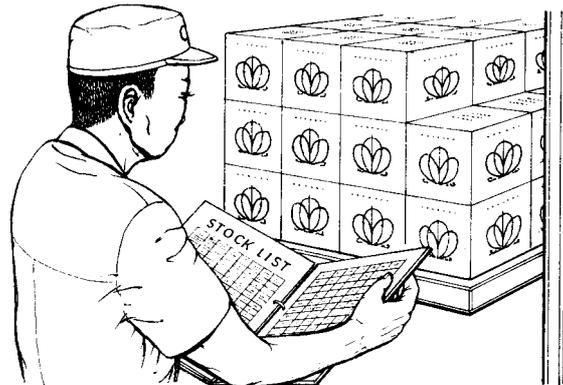
<i>COOKING FATS</i>						
Item	Bulk quantity	Re-order level	Trade margin %	Cost of 1 bulk package	Total selling price	Unit selling price
Margarine Bong 250-g tin	36	20	12	46.80	53.18	1.48
Margarine Bong 500-g tin	18	15	12	45.90	52.16	2.90
Maize oil Sun Prima 1/2-lit tin	24	25	10	67.20	74.67	3.11
Maize oil Sun Prima 5-lit can	(4)	5	10	96.00	106.67	26.67
Olive oil Tin-Tin 300-g bottle	20	10	15	52.00	61.18	3.06

All the information Thomas needs for ordering can be found in the columns "Item", "Bulk quantity" and "Re-order level". The other columns contain information which Thomas will need later on, when receiving the goods.

Usually Thomas had to order full bulk packages, as the wholesaler did not agree to split the cartons, boxes, bags, drums, etc., and this also made the handling of the goods easier for Thomas. But to be able to order, he had to know the content of one bulk package, that is the reason for the column "Bulk quantity". In some cases Thomas could buy less than a whole bulk package. He indicated this by brackets.

In the next column Thomas noted the re-order levels for all items. He based the figures on his and Betty's experience of what they used to sell, and he also looked up old orders and invoices. He remembered to double the figures for those selected, essential items of which he wanted a buffer stock. of course he did not get all the figures right in the beginning, but he soon was able to correct his mistakes.

If the stock of a certain commodity was still above the re-order level after many weeks, the figure was probably too high ....



.... on the other hand, if an item was finished before the next delivery day, the re-order level was probably too low.



### The stock check

The stock list proved to be a very useful tool for Thomas' ordering. With the list in his hand he went around the shop every Tuesday morning and checked the actual stock of each commodity. Was there enough stock for the coming period, or should he order more?

"The re-order level for the small tins of Bong margarine is 20," Thomas read in the stock list. A quick glance at the shelf told him that there were more than 20 tins left: no need to order any more.

Of the 500 g tins, there were only 8 tins left. The re-order level was 15 tins, so he should order 7 ( $15-8=7$ ). But in the stock list he could also see that the smallest quantity he could order was 18, the content of one carton. So Thomas noted to order one carton of 500 g Bong margarine.



For the stock check to run smoothly, it is important to have a well-arranged display. All goods should be easy to find and to count. Therefore, in the Ilangu Co-operative shop:

- the goods were displayed in commodity groups - the same groups as in the stock list;
- every commodity had its fixed place;

- if possible, every commodity was displayed at one place only;
- the packets and tins were displayed in neat rows on the shelves.

When Thomas had finished the stock check in the sales room, he went to the storeroom. He had to make sure that none of the goods he intended to order were still there.

Checking the goods in the storeroom was also easy, because Thomas kept it in good order. Most of the goods were in the selling area anyhow, displayed on the shelves. Only a few sealed cartons and bags were in the storeroom and the content was clearly written on them.

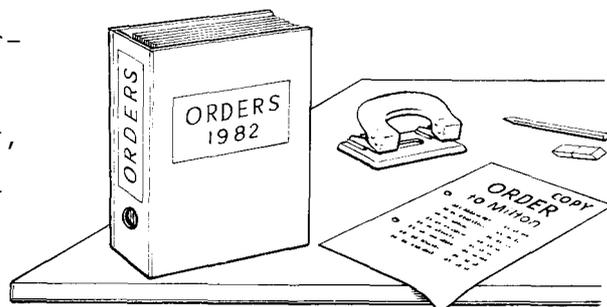


### The order

Only one thing remained to be done - to send the order to Milton's the same day, so that they could prepare the consignment for delivery on Thursday, as agreed.

In some areas, orders are placed by telephone or by mail. Thomas had a special and very dependable arrangement: he sent the order with one of Milton's drivers who happened to pass the shop every Tuesday on his way back to the depot.

Of course, Thomas kept a carbon copy of the order form. He would need it on Thursday, to check if he received what he had ordered.



After some weeks Thomas got used to his new, improved ordering system, and the whole procedure of checking the stock and calculating how much to order did not take him much time at all.

Thomas used this system when ordering the groceries and the most common non-food articles from his main supplier Milton's. But he found that he could use the same technique when ordering from other suppliers. He just had to calculate the re-order levels according to the intervals between orders, and the delivery times.

Thomas found that it was much easier to manage the shop with the new ordering system. The "out-of-stock" situations became very rare. There was no need for him any more to run down to Milton's now and again to pick up missing goods; he could stay in the shop where he was needed.

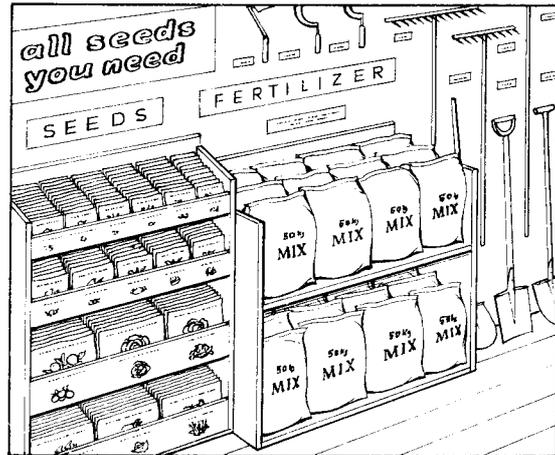


The members noticed this, and they were also happy to see that the shop had more goods to offer than before. It was all a result of the new ordering system. It helped Thomas to use the working capital in a more effective way, and to keep his stock "under control".

## IRREGULAR DEMAND

Thomas' new ordering system was very practical for all commodities which were sold throughout the year. But it did not work in a situation like the following:

Every year when the farming season began, people came to the Ilangu Co-operative to buy seeds and fertilizers for their vegetable gardens. For a couple of weeks they bought also quite a lot of garden implements. When the season was over nobody wanted these things until next year.



Goods that are bought on certain occasions only should not be kept in stock all year. They should be available when the season begins, and as little as possible of them should be left in stock when it is over.

Thomas kept a calendar in which he marked all the occasions when they sold seasonal goods. And he also marked the dates when he should order them, as a reminder.



When it was time for ordering, Thomas consulted his calendar for the previous year. There he had made some sales notes. For example, he could see that he had sold 48 small bags of vegetable seeds, and 98 bags of fertilizer last year. This information was useful to him when ordering the same commodities again.

Another method which could be used in similar situations is to ask the customers to order in advance. This is especially recommended for expensive goods. Also, to avoid non-serious orders, it is advisable to ask the customers to pay part of the price in advance.

	Which "seasonal goods" do you sell in your shop at present?
	Which other "seasonal goods" could you possibly offer for sale?

The people in Ilangu had their special traditions as to the harvest season, celebration of certain holidays, and so on. on such occasions they would buy certain goods in larger quantities than usual. Although the re-order levels in Thomas' stock list included the highest expected sale, such occasional increases in demand were not included. Instead, Thomas had noted foreseeable occasional demands in his calendar, so that he would remember in time to order some extra goods.

	List a few items for which demand increases at certain times of the year in your area.	
	<u>Item</u>	<u>Time/reason for increased demand</u>
	_____	_____
	_____	_____
	_____	_____
	_____	_____

## REPLACEMENT ORDERS

To be on the safe side, Ilangu Co-operative kept a buffer stock of the most important commodities, as we mentioned on page 14. But what should they do when other goods at times were not available at the wholesaler?

"I would like a small tin of Bong margarine, please."

"Sorry, Mrs. Saluli. We didn't get any small tins this week. But we have small tins of Solo Fat, and we have Bong in big tins."

"Then I will take a small tin of Solo Fat."



As soon as Thomas learned that a commodity was out of stock at the wholesaler, he tried to find something else in his stock to offer his customers instead. If there were similar goods for sale in the shop, he could expect to sell a little more of them than usual. So he did not forget to order a little extra.

However, it would be risky to replace the missing goods by something they normally did not sell in the Ilangu shop.

For example, the Ilangu shop always carried only one brand of tea, the popular White Star Tea. Once, when it was not available, Thomas decided to replace it by ordering Green Special Tea.



But the customers did not like this tea as much as their usual brand, so they bought less. And when they could get White Star again, nobody wanted to buy the Green Special any more. Thus the Ilangu shop had a stock of tea that was very difficult to sell.

When there is a general scarcity of goods, one might sometimes feel tempted to order whatever goods are available - just to get something to put on the shelves.

This could be a very serious mistake. The shop may become filled with goods that few customers want to buy. And when the needed goods are available again at the wholesaler, there might be no money left to buy them, because all the money has been invested in the "dead stock" still on the shelves.

Therefore, it is usually better to wait for goods that are temporarily out of stock, than to substitute them by things which are normally not included in the stock range.

## SUMMARY

Here is a summary of this booklet. It will help you to re-view the content. Read the summary slowly, try to remember the reasoning and the main points under each heading.

### Select suppliers

- Which suppliers are available?
- Which suppliers are the best?
  - assortment of goods
  - regular supply
  - services
  - prices

### Decide ordering intervals

- Short periods mean better economy, but ordering costs must be considered.
- Fixed days for ordering.

### Fix re-order levels

Decide "minimum safe stock levels".

### Techniques for ordering

- Find out the actual stock of each item.
- Calculate quantity required, if any.
- Translate this quantity into a number of bulk packages.
- Increase orders to meet occasionally increased demands.
- Be careful not to replace out-of-stock goods by items which are normally not included in the stock range.

## "CHECK-OUT"

To prove to yourself that you have fully understood this Element, you should now go through the following questions. Mark what you think is the right answer to each question. If you have problems with a particular question, go back and read the corresponding chapter again. Your teacher will later check your answers.



1. Which is a good reason for shorter intervals between order\_ days?
  - a Quantity discounts keep costs down.
  - b Transport problems are avoided.
  - c Less money is needed for investment in stocks.
  
2. To order smaller quantities of each commodity at a time could lead to increased sales. Why?
  - a Prices can be kept on a higher level.
  - b The available capital can be used for a wider assortment of goods.
  - c Some of the available capital can be placed in a savings account.
  
3. How would high transport costs possibly affect ordering intervals?
  - a Intervals should be shorter.
  - b Intervals should be longer.
  - c Transport costs should never affect intervals.
  
4. How do you calculate the quantity you need to order?
  - a The quantity is equal to the re-order level.
  - b The quantity is equal to the re-order level plus the actual stock.
  - c The quantity is equal to the re-order level minus the actual stock.
  
5. Your re-order level for tea is 80 packets. You have 36 packets in stock. There are 30 packets in a carton. How many cartons should you order?
  - a One carton
  - b Two cartons
  - c Three cartons

6. Of which goods should you keep a buffer stock to be prepared for a supply shortage?
  - a All foodstuffs
  - b Essential goods for which there are no substitutes
  - c Goods which are not sold by your competitors
  
7. What document should you use when preparing an order, to be sure not to forget anything?
  - a A list of the complete assortment
  - b A copy of the previous order
  - c The stock control register
  
8. Which information should be included in the stock list to make the ordering easier?
  - a Last year's average sales
  - b Trade margins and mark-ups
  - c Re-order levels and bulk quantities
  
9. How should the re-order level be adjusted if a commodity runs out of stock?
  - a The re-order level should be increased.
  - b The re-order level should be decreased.
  - c The re-order level should never be changed.
  
10. What should you do to make the stock check easy?
  - a Keep most of the goods in opened cartons.
  - b Keep a special register.
  - c Keep a well-arranged and tidy display.
  
11. Which is the best information to help you decide order quantities for seasonal goods?
  - a The stock control register
  - b The wholesaler's advice
  - c Your own notes about last season's sales
  
12. What is the best alternative, in most cases, when a commodity is out of stock at the wholesaler?
  - a Make sure you have enough stock of other similar goods which are usually sold in the shop.
  - b Order a new article that possibly could replace the missing one.
  - c order anything else so that the shop is always full of goods.

# COMPLEMENTARY EXERCISES

## Practical Group Assignments in a Shop

### 1 Fixing re-order levels

- a Interview the manager and the sales staff of a shop in order to find out the average weekly sales volume for 10 common articles. (Compare, if necessary, with invoices, orders, etc.)
- b Based on the interviews and the actual ordering intervals and delivery times, calculate the re-order levels for the 10 articles.
- c Compare your re-order level figures with the figures on which the manager is actually basing his orders. In case of large differences, discuss possible reasons with the manager.

### 2 Improving the ordering system

Study the ordering system of a selected shop in the following way:

- a Interview the manager. Note the ordering intervals, ordering procedures, delivery times, etc. for all the suppliers used.
- b Find out what technique is used to decide the re-order levels and the order quantities. Find out which goods were out of stock and how frequently.
- c Study the actual stock of goods in the shop. Compare with your notes and look for articles which seem to have been ordered in too large or too small quantities.
- d Look for possible "slow-movers" in the stock and interview the staff about the sales of these articles.
- e Work out a joint report on your findings and recommend actions to be taken in order to improve the ordering system of the shop.