Stock Management

- GUIDELINES -

Good stock management improves the efficiency of operations, saves money, and aids patient satisfaction. Failure to manage stock well may seriously impact service delivery and the success of the centre.

When managing stock, the key questions we need to answer are:

What to order?

- Correct types of frames and lenses (fast moving items)

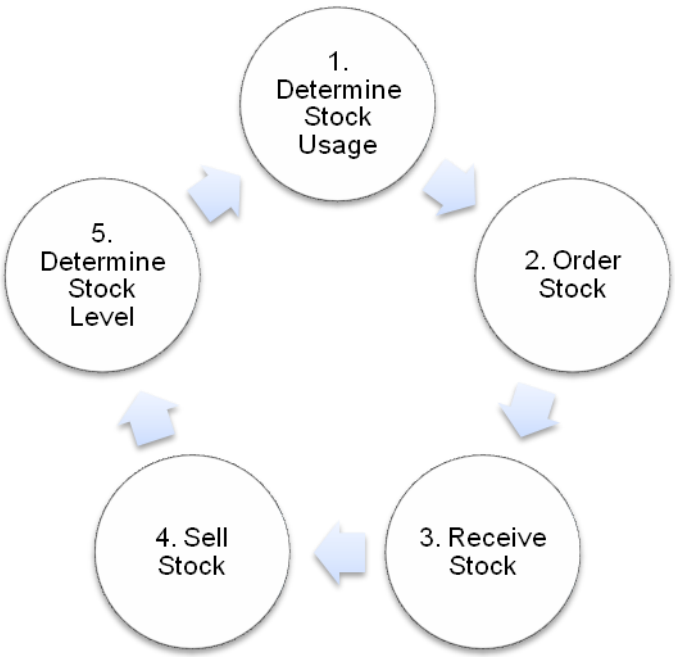
How much to order?

- To last an appropriate length of time

When to order?

- To avoid being out of stock

All stock management tasks are linked in a cycle, which is ongoing and needs constant monitoring and adjustment. Work continually on these related tasks will ensure that stock is managed successfully.



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1. Determining Stock Usage

It is important to stock all stock items required in a Vision Centre so that service delivery is not interrupted. To ensure adequate stock is always available, reorder points need to be set. These levels will vary from one Vision Centre to the next and will depend on the volume of work done at each. This involves determining stock usage and thereafter making projections for the months to come.

Below is an example of we may determine stock usage.

Example 1

Calculating Reorder points							
Stock Item	Months						
	Jan	Feb	Mar	Apr	May	Jun	*Avg for 6 mths
Readymades (Units)	80	95	65	70	90	75	80

**Average stock is equal to the stock used for the months of Jan to Jun divided by six.*

Setting Reorder Point

Once you have determining stock usage for each item, to maintain the service of the Vision Centre, you need to determine the reorder point for each item based on the quantities required.

Factors to consider here:
Lead time needs to be taken into consideration:

- Past experience – how long has it taken for similar orders in the past
- Order size – suppliers may be able to supply smaller orders faster than larger orders
- If it is a new purchase - is it a local or overseas purchase? Overseas purchases may take much longer to arrive due to transport and customs delays.
- Holiday times will affect the processing of orders from the suppliers.
- Keep in mind even if you consider these factors, lead time may vary.

Demand rate is the other key consideration. How quickly is stock being used? You need to ensure the reorder point allows for usual usage of the item during the lead time.

What are the possible problems?

- The demand pattern may well be erratic, and will fluctuate on a day-to-day basis.
- Lead time may vary and deliveries may not occur at regular intervals.

Keeping **buffer stock** on hand helps us avoid these problems. The necessary level of buffer stock should be kept in mind when setting reorder and maximum stock levels. It is advisable to keep a buffer stock of at least 1 month's supply at all times.

Referring to example 1, if the supplier lead time is 1 month it will be safe to set your reorder point at 160 units (i.e. the average of 80 units x 2 months supply – giving a buffer stock of one month).

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Determining Maximum Stock Levels

If you stock too many frames or lenses, cash is tied up stock when it could be used elsewhere. The higher levels of stock will also be more difficult to maintain. However, if you have too few frames you run the risk of stock outages and losing patients due to a poor selection.

The number of frames a Vision Centre keeps should be based on the amount of frames that it sells. At least three months to six months working supply should be kept.

- Six months' supply is recommended for overseas purchases when orders take longer to arrive
- 3 months' supply can be enough for local purchases because orders usually arrive much quicker.

To calculate the maximum amount of frames your Vision Centre should keep in total, calculate the average number of frames you dispense each month. Then multiply this number by the number of months' worth of stock you would like to keep in stock - at least 3 (local purchases) or 6 (international purchases).

Example 2

Background: Continuing on from Example 1, you use 80 readymades in the Vision Centre per month. The lead time from the supplier is 4 weeks.
Reorder point: We need to allow for 4 weeks (1 month) of usage of the frame while we wait for it to be delivered. You decide to have buffer stock of one month giving a reorder point of 80 + 80 = 160.
Maximum Stock Level / Order Quantity: You decide together with the Vision Centre manager that you would like to keep four months' supply of readymades in stock. Your maximum stock level and order quantity is 4 x 80 = 320.
In summary, now we know that when the stock reaches 160 it is time to make an order of 320 readymades.

All calculations in this chapter are simply suggested guidelines on how to calculate reorder points and maximum stock levels. The individual operations of the Vision Centre and the supply and logistics involved will influence this calculation and method used.

Stock Trends

An important task of the person managing stock is the monitoring of trends in the movement of individual stock items. This trend will usually be linked to the sales patterns for an item. For example, one particular spectacle frame may be very popular and sells more than some others. Therefore, to meet the demand for this spectacle frame, you may need to adjust the reorder point and maximum stock level. The point is that equal volumes of stock need not be ordered or maintained and over time trends in the stock movement patterns must be noted and applied when procuring stock.

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Other trends that a person managing stock in a Vision Centre must take note of, are prevalence of damages for particular stock items, latent defects and high returns from customers. It is important that such information is then relayed back to the supplier so that these situations are not encountered in the future. Alternatively, a decision may be made to discontinue a particular stock item and replace it with another model or brand.

2. Ordering Stock

Choosing a supplier

Once a stock item has reached the reorder point, an order will need to be placed with a supplier. Things you should look for when choosing a supplier include:

- Competitive pricing
- Fast delivery of products
- Knowledgeable on market
- Excellent customer service
- Terms and conditions
- High in-stock percentage
- Local or international location

Choosing a stock range of frames

There are a number of methods you can use to decide which types of frames to stock in the Vision Centre:

- Know the demographics of the population that the Vision Centre serves
- Ask your patients
- Ask your staff
- Look at previous sales history
- Use suppliers as a source of information
- Look at optical considerations

Choosing a stock range of lenses

If your Vision Centre has an optical workshop, you must keep an appropriate stock of uncut lenses in stock. It is impossible to keep all lenses of all powers in stock in the workshop. This means you need to have the right mix of lens type and quantity to suit your usual patient demographic.
In choosing the lens range, you need to make a decision in three areas: lens type, powers and materials.

The best way when choosing this range is to assess your past usage of lenses. Find out which lenses have been most popular and base your stock range on this. If you have no experience in this area, ask those around you that do, if possible. The supplier can be a valuable source of information in this area also.

When a patient places an order for lenses that you do not hold in the Vision Centre, these lenses must be ordered from the supplier. It is best to order lenses like these as a group at least on a weekly basis. This requires efficient communication and delivery between the Vision Centre and

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the supplier, because lenses will be used immediately for a patient order, rather than being held on the shelf like stock lenses.

A basic template of a stock order form has been included in the accompanying CD. *(Refer to CD – Stage 4 – Stock Management – Stock Order Form Template. This template may be adapted to suit particular needs if required.)*

It is important to discuss orders with the person responsible for the finances of the business, before any orders are placed. This is to ensure that funds are available for payment to the suppliers and that these transactions are within the budget.

The individual responsible for placing orders must ensure that all order requests, invoices and delivery documents are being filed for future reference.

3. Receiving Stock

Upon receipt of the order from the supplier, the items must be checked against the supplier invoice to ensure the correct items and quantities were dispatched by the supplier. If any incorrect items or quantities have been received, this must immediately be communicated to the supplier so that they may act accordingly. The supplier must also be made aware of any damaged items that have been received. Depending on the nature of the transaction and the supplier, the supplier will act appropriately. It is therefore, important to establish the supplier's terms and conditions prior to any purchase.

Once all the items have been fully reconciled with the supplier invoice, they will have to be entered into the stock system. The stock items must then be packed neatly in the storeroom.

Storeroom

Critical to effective stock management is a well-organised storeroom. It is important to ensure that stock is stored safely and all items are categorised and labeled. Stock items must be easily accessible and arranged in a logical and understandable order.

To avoid stock losses arising from theft and/or poor control, access to the storeroom should be restricted to the person assigned to managing the stock. This should be under lock and key at all times and the designated individual must be held accountable for all inventories.

4. Selling Stock

Increasing the sale of stock can be done in various ways, including increasing awareness of the vision centre through health promotion, community interaction, and marketing, supplying products that are attractive to your patients at the right price and time, and efficient management of vision centre processes.

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5. Determining Stock Level

We determine stock level by doing a **stocktake**. In a stocktake, we count all of the stock items we are holding in the Vision Centre, and check these totals against what we were expecting to count.

It is advisable that stocktakes for a Vision Centre are conducted at least once in 3 months. The reason for this is to reconcile the actual stock quantities with those on the stock system. During the course of daily operations, stock movements may not be recorded or items may be stolen or misplaced. The result is that the actual stock quantities may not match the stock quantities on the stock system. Also, stock may have been damaged whilst in storage and may need to be written off.

A stocktake is very valuable because it also provides us other information outside of our control of stock levels. With a stocktake we also:

- check current levels of stock
- find out how much stock we need to order
- are able to work out value of stock on hand

A Stock Take Reconciliation template and guideline has been included in the accompanying CD to assist with a stock take. *(Refer to CD – Stage 4 – Stock Management – Stock Reconciliation Template & Guideline.)*

Record Keeping

Standard Operating Procedures

A Standard Operating Procedure (SOP) is a set of instructions or steps Vision Centre staff follow to complete a task safely, in a way that maximizes operational and production efficiency. You can write SOPs for any processes that occur in the Vision Centre or your organisation in general. SOP's are very useful in relation to stock management processes.

Why develop SOPs for stock procedures?

A Vision Centre needs staff who carry out their responsibilities in relation to stock management in a consistent and accurate way. We also need all staff to contribute their experience, knowledge, and ideas to constantly improve our operations for the future. Developing SOPs can help us achieve both of these things.
Well-written standard operating procedures (SOPs) provide direction, improve communication, reduce training time, and improve work consistency. The process of developing SOP's is also a great way for managers and Vision Centre staff to collaborate. A positive sense of teamwork arises when everyone works together toward common goals.

Stock Movement

Most important for good stock management is the tracking and recording of all stock movements as they move through the stock cycle. It is therefore essential that all the persons involved in this process complete the necessary documentation as required by the SOP's and that these are filed for future reference.

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Glossary

Stock: A physical resource kept in stock (such as frames or lenses) with the aim of selling it or transforming it into a more valuable state. Can also be referred to as inventory.
Stock System: A set of policies and controls that monitors levels of stock and determines what levels should be maintained, when stock should be reordered, and how large orders should be.
Stock-out: When at any moment there is not the quantity of product available in stock as needed.
Order Quantity: How much stock is ordered to satisfy supply for a set period of time
Reorder Point: Level of stock at which a new order is placed
Demand Rate: The speed that stock is being used for any particular item
Lead Time: The time between the order for stock being placed and received
Buffer Stock: Extra stock kept on hand to account for unforeseen delays in the system

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