



Ways to Maximize Profit of a Trade Firm

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In practice, we have several ways to make profit bigger (all in accordance with EVA model of SCM guru D. Lambert and also profit/loss accounting statement and inventory management theory):

1. By increasing sale volume in dollars
2. More sales of goods in natural quantity
3. Price management and price growth (in this case it is important to develop price matrixes, setting prices in reverse correlation from items dollars activity)
4. Assortment service level optimization that is used in plans.
5. By decreasing the cost of goods sold

6. Reducing of cost of goods (for example, we consider options of using groups of buyers to get discount for order volume)
7. Analysis to make purchase price and transportation costs
8. By freeing and alternative usage of capital (exploration of assortment, building new warehouse, purchase of new vehicles and so on).
9. Reducing of holding costs
10. Organizing preliminary orders to reduce demand variation (that provides with necessary safety stock reduction)
11. Reducing time and variation of transportation and order prepare
12. By assortment optimization
13. By reducing the other commercial expenditures (that are not necessary under direct consideration of logisticians).

Under any conditions the main optimizing factor is using EOS (electronic ordering system) even with classical SIC (statistical inventory control) approach.

Using a system for inventory management has the following advantages:

1. System analysis of factors increases return on investments, competitiveness of intermediary and of production-trade corporation, optimizes turnover, maximizes profit, improves customers service levels with lower prices, optimizes capital used in inventory.
2. Stock and orders limiting gives options to plan production and sale at previous stages of a supply chain under projective inventory management system with plan-graphs. We can change for working with determined demand instead of undetermined demand.
3. It helps operatively determine unprofitable goods and stop their manufacturing, it is the possibility to plan optimal assortment to be produced and sold.

4. To get integral evaluation we do not need much initial information data and the essence of the figures used could be easily understood by personnel of a company.
5. Inventory management system allows to analyze how factors (conditions) influence profit of a firm (for example, when we change suppliers and hence purchase/sales prices, order lead times and assortment).
6. It gives to opportunity to computerize inventory management that reduces routine work and subjective factor influence to inventory decisions (it shows what is really important to a firm).
7. It helps to find out excess inventory and the causes.
8. Inventory management system allows to synchronies all items` dynamics.
9. It reduces time to prepare orders.

Inventory being main resource of trade firms has great reserves for return on capital improvement. And system-complex approach here is most important.