

BUSINESS STRATEGIES BY CHUCK YENKNER

# Controlling “out of control” inventory



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**Have you noticed** that the inventory of materials and supplies in your lab seems to have a life of its own? You put a case of investment or package of burs in a storage closet and then next month, when you reach to use them, each has multiplied to two cases or two packages. Unfortunately, inventory overages represent the stuff we don't use.

A “growing” inventory costs money. Although we need the appropriate inventory stock to keep our business running smoothly and efficiently, too much inventory ties up dollars that could be put to better use. Excess inventory also requires more storage space, increases the chances of spoilage due to expired “use by” dates, and can lead to theft or “shrinkage.”

If you think your inventory is out of control, you are not alone. I recently polled lab owners and managers at a class I taught on purchasing and inventory control. Nearly 60% felt that they had inventory control problems.

## TAMING THE INVENTORY “BEAST”

Successful inventory management reduces the cost of running your business thereby increasing your profit margins. Here are four key steps you can take to bring your inventory under control.

**Centralize your inventory:** Start by organizing “centralized” inventories. This can be done either on a department basis or by having one central inventory control and storage point for the entire lab. Eliminate “bench inventories.” Do not allow technicians to keep their own stock. Have employees “requisition” supplies and record what gets disbursed to whom. This alone can reduce your inventory by 10% to 20% and also reduces “shrink.” You also can spot employees who have bad habits that waste supplies.

**Appoint an inventory manager:** Place one person in charge of managing inventory and buying supplies. Set goals and targets for the value of inventory you need to carry. Lab inventory should be in the range of 4% of revenue with an average of two to three months of inventory in stock.

**Value your inventory:** List all items you use and rank them in descending order of value. For crown and bridge and full service labs, gold and perhaps porcelain will top the list. In removable labs, denture teeth may

head the list. Pay attention to the most valuable items and those with expiration dates first. Follow by evaluating bulk items where shipping costs and storage are major considerations.

When deciding how much of a particular item to stock, consider:

- Quantity used
- Minimum order if any
- Shelf life
- Quantity or volume price discounts
- Storage/warehouse requirements.

If you don't handle the gold inventory yourself, you should have sep-

## 4 KEYS TO CONTROLLING INVENTORY

1. Centralize your inventory
2. Appoint an inventory manager
3. Value your inventory
4. Involve your vendors



arate staff dispensing the material, ordering from your supplier, and receiving the incoming shipments.

**Involve your vendors:** Bring in vendors/suppliers and ask for suggestions and recommendations. Many have special programs and offer services to help reduce or manage inventories of products you buy from them. Some offer consignment inventories where goods are kept in your lab but remain the property of the supplier until used.

Beware of standing orders and automatic shipments. A change in your business can alter usage patterns. Automatic shipments mean predetermined quantities continue arriving even though they are no longer needed.

Well-managed inventories require good management to find the right balances to operate your business smoothly with the minimum investment of operating cash.

lab

### TAKEAWAY

Excess inventory ties up dollars that could be put to better use.

Successful inventory management reduces the cost of running a business and increases profit margins.