

Chapter 4 Competencies

After successfully completing this chapter, the reader will be able to:

- Describe the purpose of inventory management in successful retail planning.
- Explain the benefits of an automated system for inventory management.
- Define turnover and stock-to-sale ratio and explain their purpose as part of an inventory management system.
- Calculate min/max levels for retail inventory and demonstrate how to set correct inventory levels for a variety of retail situations.
- Apply the concepts of top sellers/slow movers and inventory aging to spa retail inventory to maximize profitability.
- Explain why the retail method is preferred over the cost method for the purposes of inventory management.
- Describe the concept of open to buy and explain the formula for determining open-to-buy levels.
- Explain the purpose of a variety of inventory recordkeeping tasks, including markdowns and markups, merchandise received, chargebacks, and transfers.
- Determine causes of shrinkage and list procedures that deter shrinkage.