**Stock Mix a Problem for Retailers**

Accountants offering “Business Advisory Services” need an awareness of the composition of the “Stock Mix” that each of their retail clients is utilising. In virtually every retail business, stock could be divided into, at least, 4 key categories:

* “Stars” – these are the products that have high volume sales and high mark-ups.
* “Cash Cows” – these are the products that have high volume sales and low mark-ups.
* “Problem Lines” – last year’s fashions will have lower mark-ups.
* “Disaster Lines” – wrong purchases! Low-volume sales and low markups!

When you put these various components together, the resulting gross profit percentage and the amount of the gross profit needs to be analysed to determine whether it is enough money to cover the business’ overheads and to earn a profit. There may need to be a change in the stock mix to generate the profit target.

Unfortunately, not enough analysis of the stock mix is carried out during a year – this is a task that an accountant should be offering to retail clients monthly or at the very least on a quarterly basis.

Want to know more? – Please visit – [www.essbiztools.com.au](http://www.essbiztools.com.au)