# Minimises stock levels

Literature, Russian Literature

This is the formula for working out gross profit margin (GPM). Gross profit is sales turnover minus cost of sales. Sales turnover is themoneyvalue of the sale of the products by a business and cost of sales are the costs of production such as raw materials and wages that a directly involved in production. The costs of sales for both companies are likely to be milk, coco and other thing like sweeteners or nuts and raisins depending on the chocolate being made. Both companies GPM are shown in the table below over the years 2001 and 2002.

In 2001 Cadflake PLC achieved 44. 58% GPM. This then decreased the following year to 43. 94%. This means for every i?? 1 that Cadflake generated in sales they earned 44. 58 pence in 2001 and in 2002 they earned 43. 94 pence. Thornbury PLC earned 48. 11 pence for every pound generated in 2001 they then increased this to 48. 48 pence the following year. From analysing both companies GPM Thornbury PLC show a positive trend. Cadflake PLC is showing a negative trend. All companies try to increase their GPM by as much as possible.

Below are three ways on how Thornbury and Cadflake PLC can increase their GPM. The main way of reducing cost of sales is by buying raw material from cheaper suppliers, however by doing this there is a chance that the quality of the raw materials will reduce as well. By having products with poor quality it will affect the business; firstly by customers no longer buying their product. If Thornbury PLC bought cheaper coca beans the end product being the chocolate bar might taste bad and off putting.

Effectively if demand falls sales and turnover will decrease, this will damage the company's reputation. If the company's reputation gets affected then customers will no longer buy their products. Since sales are down market share will also decrease. Both Thornbury and Cadflake PLC cannot afford to decrease their market share because the market they are in is saturated; therefore they have to make sure the quality of their products does not decrease. The graph below shows that as quality decreases demand falls.

At point " D" on the diagram indicates the demand when the quality hasn't been changed. As you can see it is greater than when the quality does decrease (D2). This decrease of demand is due to a decrease in quality. If Cadflake and Thornbury PLC do not make sure the quality of their products is constantly kept at a high standard then demand will fall and so would sales. Increasing Price Increasing the price of a product will also increase the company's GPM by turnover increasing, but this also has its downsides.

The graph is a demand curve which shows as price is increased demand for the product is reduced. Since Cadflake and Thornbury PLC are in a saturated market any increase in price will have a bad affect because there are a wide variety of chocolates to choose from. The original price of the chocolate was at P and the demand was at D, as the price was increased it then changed to P1 and D1. This shows as price increased the demand had fallen. The graph also shows if you decrease the price. It changes to P2 and D2, price is reduced and demand increases.

Both Thornbury and Cadflake PLC are in a saturated market where there are a number of competitors which do the same if not similar products to

themselves. By increasing the price of their products the demand will fall. For those customers that do buy Thornbury and Cadflake PLC's products they might chose a different chocolate bar which is cheaper. There are come people that would buy the same product despite an increase in price. These people are loyal to the brand and would buy the product weather there is an increase or decrease in price.

The graphs below are elasticity graphs, they show how increasing prices affect demand in different markets. Graph 1 is inelastic; this is where a change in price leads to a smaller proportional change in quantity demanded. Tobacco and alcohol are examples of products which this graph refers to. Graph 2 is elastic. This means, when a change in price leads to a larger proportional change in quantity demanded. This graph shows products that are in saturated markets, this is due to a larger range of competitors, by increasing the price people will chose products form by companies.

As Cadflake and Thornbury PLC's are both chocolate manufactures, that is the graph that refers to them. Reduce wastage Wasting products or raw materials cost the company. By reducing the amount being wasted the company can save a lot of money rather than just chucking it away. When making the product the company should buy reliable, good machinery, this may cost a lot but buying less reliable machinery will cost more to repair, so it is better to invest money on good reliable machinery that will lasts a long time.

When making a product the company should ensure the product is made perfectly first time. This will reduce waste and cost. Stock control is also

important tofoodcompanies. Food which is kept in storage too long will go off. The company should keep come sort of stock control which would be checked regularly. One type of stock control that can be used is " Just in Time stock control" this is a production system where stock is only delivered when they are need by the production system. This minimises stock levels in a business..