

# [Profit and loss management and key performance indicators](https://assignbuster.com/profit-and-loss-management-and-key-performance-indicators/)

Profit and loss management is basically managing income and expenses to ensure that the business earns a profit. KPI’s stands for Key Performance Indicators and some KPI’s need to manage to minimize costs and some are managed to maximize sales and profits. Responsible for profit and loss management is a branch manager, but the operational managers and a team may also be responsible for driving KPI’s. The branch manager is responsible to encourage and guide their team to achieve the branch KPI’s. The KPI’s retailers monitor Payroll, Rent and Rates, Shrinkage and Cash handling. Payroll costs are one of the highest costs accrued, the budgets are set in advance, usually for the coming year. Retail managers are responsible for their payroll budgets set by Head Office or directors. Payroll budgets vary from store to store but are set a percentage of the store turnover. Shrinkage is the loss of inventory that can be attributed as employee thief.

Rent and Rates are set and agreed by the Head Office or owners and therefore store managers cannot control these costs. A store rent is set in advance and rent leases can be anything up to 25 years. Rent should be approximately 10% of the annual turnover. Business rates are a tax on non-domestic properties to help pay for local council services. Cash handling refers to the process of receiving and giving money in the business. Minimizing costs can be done by for example turning off the light in the stockroom/toilet when living in the room, and not buying too much stationary when not needed. Improving sales and profit can be done by offering store cards or by doing sales.

KPI’s will be measured against target and LY (Last Year), this can be measured by looking at the figures or targets if they are achieved or not. The controllable costs are shrinkage, rates, electricity, stationery, telephone bills, and the non-controllable costs are waste, faulty stock, profit, and insurance. Stock Management refers to when a company works to obtain and preserve a suitable assortment of goods while also keeping track of all orders, shipping and handling, and other related costs. Retail stores are now relying on ‘ big data’ to effectively manage the stock from distribution center to store level. On arrival at stores can use different types of store management methods, manual delivery of physical work with BOL paperwork and manual casting, or Warehouse Management System (WMS) and software where employees can utilize scanners, LRT guns, and tablets to accept stock into the store. Stock processing is receiving goods- check-in goods- process delivery- complete relevant documentation- goods to sales floor or storage. EPOS (Electronic Point of Sale) is any computerized system, which may include devices (hardware) such as barcode readers/scanners, chip and pin machines, touchscreens, receipt printers, and cash drawers, which are used to record sales and control stock. Warehouse Management system (WMS) is a software that helps control and manage the day-to-day operations in the warehouse. The Warehouse Management System helps to control receiving, picking and shipping of orders. The WMS is reducing the errors which may occur during deliveries.

Software system works with EPOS systems to integrate Sale reporting, Customer management, Inventory (Stock) Management and Employee management.

Stock replenishment is the process of adding more stock to replace what has been sold. Most often it is done automatically via the EPOS system to ensure stores have enough level of stock. It is also the process in the store where staff replenishes stock onto the shop floor. Stock re-ordering is the first stage of the process. Set re-ordering includes stock levels, stock turnover, gross profit, gross profit margins, sales forecasting, and information sources.