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### **ARE YOU SPENDING TOO MUCH MONEY ON YOUR INVENTORY AND NOT ADDING ENOUGH TO THE BOTTOM LINE?**

Does a manager "feel" he needs 10 cartons of Kool 100 Soft Top, so that is what he orders? Does an untrained sales associate order 10 cartons of all types of cigarettes, because that is easier? Does the third shift employee allow the milk vendor to only stock four gallons of your top selling milk, since she does not know how much to order? Are you surprised at the number of \$6.99 bottles of aspirin you are ordering each week? Do any of these situations sound familiar?

When retailers think about inventory, they often focus on having enough items in stock to prevent out of stock and loss of sales. This is an important approach to retailing, but it can cost you more than you think. Today, some Jobbers & Dealers have the needed tools at their fingertips -- or will when they implement a "real time" POS/Back Office Integrated system -- and are using this "real time" information to improve purchasing decisions, reduce inventory costs and increase profitability. This article focuses on how managing your item level inventory can reduce your inventory expenses and improve your bottom line.

In today's environment, store managers order what they believe they need, in many instances; they delegate this "task" to others in the organization or rely on their vendors. In these cases, the retailer is not managing the inventory and is losing out on profits. In the past, the very best retailers would have "build-to-sheets" to maintain their inventory levels and control ordering. Now, even the best retailers can improve their inventory management by leveraging their "real time" POS/Back Office Integrated investment and ordering based on facts, identifying and removing slow-moving items, increasing inventory turns and decreasing shrink.

Once you have a "real time" Back Office Integrated system, it is time to leverage your inventory. The first way to do this is to set goals for your inventory turns. If your cigarette category turns are 11 times a year (NACS average for the last four years) set a goal to improve that to 15 times. Then communicate the goal to your employees and tell them why it is important that the organization achieve this goal. Measure your goals on a monthly basis and see how you are doing and follow up. By setting this goal, you could free up \$8,000 (based on NACS averages) per store in working capital.

Rich Crawford owner of Green Valley Grocery of Las Vegas, NV knows first hand how to make his "real time" item level inventory work for his company. Green Valley has been using their item level inventory for two years and has used the information to improve their bottom line according to Mike Flinspach the CFO. Before Green Valley replaced its batch mode software they were driving in the dark not knowing what was going on with their inventory. Now Mike, Dave Crawford (Merchandising Manager) and the store managers know what is on the shelf and what is not there. Being able to see "real time" that Health and Beauty Care products were being stolen more than they were sold, prompted Green Valley to move those key HBC items behind the counter. As a result, sales increased and theft was nearly eliminated.

Green Valley has learned many things about their item level inventory, but one thing that stands out is the number of dead and slow moving items that they were stocking in their locations. They increased their inventory turns and added products that customers were seeking. Mike said that the Marketing

Group was able to remove 20 to 25 percent of items that were slow moving or dead and make room for new items that have a much higher profitable velocity.

Green Valley has almost all of their Store Managers prepare purchase orders, using the CSA software for all their store ordering. Before they had the CSA Horizon software, very few managers knew what to order from their vendors. The managers have greater pride and ownership in their location. Now they have the tools needed to order the right quantities for their location and customers do not walk out empty handed.

Utilizing item level inventory information you may:

- Know what is in your stores, item by item.
- Use this information to set goals for your inventory turns by category and by store.
- Order the products that are selling and contributing most to profit margin.
- Maintain the proper quantity on hand for these items.
- Remove slow and dead items to make way for new and exciting times.
- Observe ordering patterns at stores.
- Identify where shrink problems are occurring.
- Provide tools to operations and marketing groups so they can make the right decisions based on the right information.

Just as Green Valley has been able to implement these plans and use "real time" item level inventory information provided by CSA Horizon software, you too may make your inventory work for you and improve your bottom line.