



INVENTORY

IT'S YOUR **BIGGEST ASSET** & **GREATEST LIABILITY**

Mismanaged inventory can quickly lead to cash flow problems and decreased profitability.

Are you struggling to increase your margins?

Do you need to take markdowns to generate traffic,
at the expense of your profit?

What should your expenses be as a percent of your volume?

What is a good number for the cost of purchases sold?

How do you compare to other stores like yours?

Do you need to purchase new inventory but you're cash-strapped?

We help our private clients conquer these and more!

TRADITIONAL MINDSET *reactive*

Inventory planning based on “beating last year”, yet often the conditions (ie) weather, staffing are not considered.

Space driven planning.

Separate inventory plans for each channel.

Seasonal assortment planning that is set & forget.

Annual inventory audits.

Vendor dictates buying terms.

MODERN-AGILE MINDSET *proactive*

Inventory planning based on current customer demand.

Sales driven planning, micro plans by merchandise class, location, season and brand.

Holistic inventory plan that incorporates all channels and is unified by customer demand.

Assortment planning based on current trends.

Regular partial inventory counts.

Retailer demands terms and backs up with sales data.



5 Key Questions Retailers Need to Ask

- How much did I sell?
- How much money did I make?
- What was my margin?
- What do I have left, how can I move it?
- What did I learn?

4 Things Retailers Must Do to Compete

- Learn to make data-based decisions
- Build agility into their mindset
- React quickly to problems & opportunities
- Know the store's unique value proposition



3 KEY STRATEGIES

you can do on your own today!

1. Get the Right Balance of Inventory
2. Pull Reports that Impact
3. Turn Ratios & Other Retail Math 101

#1 - Inventory Balance

	A	B
	% of Total Inventory	% of Total Sales
Dog Food	30%	50%
Cat Food & Supplies	15%	5%
Collars, Harnesses, Etc.	20%	5%
Treats	15%	20%
Toys	20%	20%
Total	100%	100%

To Figure out Column A...

- Look at how much inventory you have on-hand during an average day.
- Get the total Retail \$ for each department and the over all total inventory, then convert each department amounts to the % it makes up over the overall total of inventory.
- Example:
Dog Food Inventory is \$30,000 /
Total inventory is \$100,000
= 0.30 ... 30%

To Figure out Column B...

- Look at your total sales over a given period (ideally a year).
- Get the total Retail \$ for each department and the over all total for sales, then convert each department amounts to the % it makes up over the overall total.
- Example:
Dog Food Sales are \$100,000 /
Total Sales for the Store is \$200,000
= 0.50 ... 50%

#2 – Reports with Impact

- Receiving Reports to determine how old merchandise is (Monthly Items Days Since First Received)
- Last time something was sold
- Sales by Vendor (you could make a similar grid as in #1 to determine how much stock a vendor is taking up compared to how much you sell it).
- Year to Date by Season, Category and/or Vendor
- Min / Max – Good or Bad??



#3 – Turn Ratio & Retail Math

DEFINITION OF TURN:

The number of times an average stock is sold in a given year

FORMULA: Turn = Total Sales / Average Inventory at RETAIL \$

*Typically look at sales over a year's time.

Your Business overall should turn at 4, which means you have fresh goods every 90 days!

Example Departments in a Pet Retail Store

Clothing	3 - 4	Cat Food Canned	4 - 7
Collars	3 - 4	Cat Food Dry	7 - 10
Bakery	6 - 10	Dog Food Canned	5 - 8
Bully	9 - 12	Dog Food Dry	6 - 12
Chews	6 - 8	Toys	4 - 6
Treats	5 - 7		
Grooming	3 - 4		
Remedies	3 - 4		

BONUS! Retail Math & Important #'s

COGS is “The Cost of Goods Sold”

$$\text{COGS} = \text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}$$

Purchases is “The Cost of Goods”

Cash Margin is how much cash you generated over a period of time based on what you bought and sold.

$$\text{Cash Margin} = \text{Net Sales} - \text{Purchases}$$

IMU is “Initial Mark Up”

$$\text{IMU} = (\text{Retail Price} - \text{Cost}) / \text{Retail Price}$$

MMU is “Maintained Mark Up” - Mark Ups after Markdowns!

BONUS! Retail Math & Important #'s

Stock to Sales Ratio - Compares sales to inventory needed to support a certain level of sales.

$$S/S \text{ Ratio} = \text{Forecasted B.O.M Inventory at Retail} / \text{Forecasted Sales}$$

SELL THROUGH - The rate at which merchandise is selling.

$$\text{Sell Through} = \text{Sales} / (\text{B.I.} + \text{Purchases} - \text{RTV})$$

CASH FLOW (cash is KING in retail) is the amount of cash generated after you pay for all of your inventory, fixed & variable expenses, & balance sheet liabilities (not included in your fixed & variable expenses)

$$\text{Cash Flow} = \text{Cash Margin} - \text{Fixed/Variable Expenses} - \text{Balance Sheet Liabilities}$$

TOP TRAITS FOR INVENTORY SUCCESS

- Use POS data to drive all inventory decisions
- Shorten lead times for new product
- Understand customer preferences at a granular level
- Search constantly for fresh, new product
- Be agile and willing to react to trends quickly
- Make data accuracy and detail a priority
- Share inventory data and analytics with the whole team

The first step is to have a good POS (point of sale).
We recommend Springboard & Lightspeed.

The second step is to start looking at these kinds of #'s and your sales and inventory reports on a consistent and regular basis.



We are here to help!
Get your FREE Business Analysis!

If you are a retailer, who does \$250,000 or more a year in product sales,
We are offering you a complimentary business analysis to help you understand how
your business is performing and where your opportunities lay!

EMAIL hello@petbossnation.com