LESSONS LEARNED I BY GERSON ROSENBLOOM

Inventory Isn't Wine

Starting immediately, we're going to put a whole new spin on inventory control. Our goal is to have nothing but the slowest movers in stock. The longer an item has been in stock, the more it becomes the object of your affection — kind of like wine. The older it is, the better. Those pesky quick-turning items are an annoyance that keep you from focusing on what matters most: dead stock.

Sounds pretty absurd, right? Well, let's try another scenario. You place an order with a supplier. The merchandise comes in quickly, and after a couple weeks, it's all gone. You're excited about these new products because they show a lot of promise, and your customers have been voting with their pocketbooks. When the rep contacts you to see how the widgets are selling, you tell him they're all gone. He asks if you want to place the same order as before, but you decline because you have tons of inventory that hasn't been moving as you'd hoped, and you've got more bills than Carter has liver pills. You plan to replace the items eventually, but now is not the time.

What's the difference between these two hypothetical scenarios? Absolutely nothing. Failing to replace your fastest-selling items is like choosing to focus on your dogs. No matter how justified you feel and no matter how real the pressures are of your bills and excess inventory, any business that fails to focus on quick-turning inventory is on a collision course. Yet I see this happening regularly.

Don't let business suffer by fixating on slow-moving inventory

HARSH LESSON LEARNED

I understand the thinking that goes into these ill-advised decisions. As my business lumbered through its waning days, I felt I was being responsible by focusing on trying to sell remaining stock and not spending money on replenishing sold-out inventory. My concern was making ends meet. Every dollar spent on inventory, no matter how desirable that purchase, kept me one step further from meeting my obligations. At least that's what I thought.

My very harsh lesson learned came when I finally decided to close my business. At that point, the amount I paid for the items I had in stock made absolutely no difference. As they say, I couldn't take them with me.

So, I found the magical price points that made each and every item go away. During my going-out-of-business sale, I created cash flow by moving out old inventory and through the generosity and wisdom of some suppliers who realized sending me desirable new stock created its own positive cash flow. I was actually able to order fast-selling merchandise that earned handsome profits and helped ease my burdens. Through buying highly salable new inventory during the six-week going-out-of-business sale, I was able to produce turns that would annualize to about 100. I also created a heck of a lot of cold, hard cash that went a long way toward financial reconciliation.

For those of you who cling to the idea that you need to get every last penny out of your inventory, I propose that you consider my experiences during those final weeks of my business.

What would've been the outcome if, years earlier, I'd started creating cash with old inventory and invested it in my fastest-turning SKUs? Ironically, I believe that if I ran my business as if I were going out of business, I might actually still be there. MI

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