IDEAS

INDEPENDENT RETAILER | BY TED ESCHLIMAN

INVENTORY IS AN ATTITUDE

The Northridge Earthquake of 1994 cast a shadow over Winter NAMM. Minor aftershocks continued to threaten Southern California just days before the convention, and I remember my wife looking at me in horror as I voiced my resolution in leaving the safety of our Midwestern home to attend what she had minimized as "Ted's Little Toy Show." At the time, the threat was indeed real, and I had to confess my motivation for attending NAMM harbored some personal indulgence. Yes, my business partner and I think the convention is an integral ingredient, preparing and planning our business for the future, but she had me pegged. There is an inescapable allure of childlike joy in exploring new products.

INVENTORY IS OPPORTUNITY

Inventory is like commercial real estate — the value is not only in the property itself, but the revenue it generates. Successful landlords exploit this understanding by keeping tenants happy and minimizing vacancies that suffocate the capital their buildings produce. Ornate facades and prime location are not the true value. Rent checks are.

'To be successful, we need an organic connection between principle and practice.'

To be successful in our own retail business, we need organic connection between principle and practice. We need the math, the GMROI, as well as a consciousness of the subtleties of where the math can go wrong. Sometimes even our senior staff can fail to grasp some of the fundamentals of inventory flow — inventory holes equal lost revenue. The following is a mistake checklist. Notice the physical continuum. Each must be considered for your showroom to be an investment and not a museum.

OVERSTOCK. Stock inventory just in time. Ideally, you have it when the customer needs it, but not too much sooner than you have to pay your vendor for it. With a computer, the discipline of documenting cycles of turns aren't complex for a healthy portion of your accessories, and the better you are at keeping backstock to a minimum, the better your return on investment.

SHORTAGES. In the days of point-and-click competitive access to your wares by online resources, you can't afford to be out. You not only lose the individual sale, you risk the long-term routine of purchasing from you. Use replenish reports to alert you in advance to minimum quantity deficits.

VENDOR BACKORDERS. You have control of placing orders, but you can't control your supplier fulfillment. Train staff to be sensitive to barren hooks that are perpetually empty. If your supplier can't supply, don't wait to go somewhere else. They are costing you both profit and reputation.

CLUTTER. Goes without saying. Your goods should be easy to explore, meaning sensibly signed, ordered, categorized and unobstructed by unsellable items.

SLOW TURNS. Whether an item becomes obsolete, or simply unappealing, you can't afford to keep dead inventory. (See previous.) Twice yearly, we run reports to target these income killers.

EFFICIENT REPLENISH PROCESS. How quickly can your purchasing department respond to this? A huge mistake is collecting "needs" to maximize extra "quantity discounts" when you might miss crucial turns between orders. Sometimes it's more profitable to relinquish the vendor "extra 10" or free freight just to plug a hole. The foot soldiers at the cash register need a clean line of communication with your buyers for effective re-supply, and also importantly, special order fulfillment.

RETURNS/DEFECTIVE MERCHANDISE. It's tough to make a priority for your staff, even harder to engage suppliers in addressing returns, but those annoying boxes of returned goods are literally money. Anything taken out of inventory costs you in cash flow and income opportunity. **MI**

Ted Eschliman is a music industry veteran and a co-owner of Dietze Music, based in Lincoln, Nebraska.