

CASH IS KING

No matter what your business, if you don't have cash to pay your bills, buy new stuff, or pay yourself, you're nowhere.



The biggest investment of your cash is your inventory. The more money you have tied up in merchandise, the less you have to spend on everything else.

Or conversely, your inventory is so low that sales drop because you don't have what your customers want. Without sales, cash is once again compromised.

Just like everything in your business, Inventory Management is exactly that – managing. You have to have systems and measurements in place to help you manage your inventory to maximize your cash flow.

SIMPLE TERMS

Here are some important definitions...

Profit – the difference between the retail price & wholesale cost of an item. (\$10 - \$5.50 = \$4.50)

Margin – Profit expressed as a percentage of the retail price (\$4.5/\$10 = 45%)

Markup – Profit expressed as a percentage of wholesale cost (\$4.5/\$5.50 = 82%)

Many retailers get these last two confused. Knowing which is which can help you compare apples to apples.

We use these and other numbers to calculate formulas that help us understand how well we are managing our inventory. One of those formulas is Gross Margin Return on Inventory (GMROI)

GROSS MARGIN RETURN ON INVENTORY

This is one of the basic measurement tools for understanding how well the money you are investing in your inventory is doing for your business.

To do the math, you need to be able to calculate three numbers... Gross Sales, Profit Margin, and Average Inventory (at cost).

$$\frac{\text{Gross Sales} \times \text{Profit Margin}}{\text{Average Inventory (at cost)}} = \text{GMROI}$$

$$\frac{\$25,000 \times 45\%}{\$5,500} = 205\%$$

In the example above, we are looking at sales numbers over a whole year. For every dollar spent on inventory, we made \$2.05.

This can be a useful formula to track which departments/categories are giving you a better return, or if it is worth doing business with a company. When you compare categories and vendors against the store average, you quickly see where you are getting the most bang for your inventory buck.

The higher your GMROI, the more productive your inventory is in producing cash for the business.

There are only three ways to increase GMROI...

1. **Sell more products** (Gross Sales)
2. **Make more per item sold** (Profit Margin)
3. **Have less products on hand.** (Average Inventory)

If the GMROI is not where you want to be, you have to accomplish at least one of those three goals. Better yet, if you can accomplish two out of three, you'll see dramatic results. Improve all three and watch out!

INCREASE GROSS SALES

This seems simple, but it really is quite complex. How do you grow sales without discounting prices? (*remember that Profit Margin is part of equation*)

A sale isn't the answer, unless you know you can make more Gross Profit Dollars (Gross Sales x Profit Margin) selling tons at a discount instead of a few at full retail. Instead, you need to put the spotlight on your products to get them to move.

One way is to **re-merchandise the goods** to show them off better. Use **signs** and creative displays to highlight the unique benefits. It is proven that signs help products sell better.



Next, get the products out for demonstration. Nothing sells an item faster than actually using it!

The third step to greater sales is to **increase product knowledge**. The more your staff knows your products, the more they can match customers with the right items.

If you can significantly increase top-line sales without marking things down, your GMROI will increase and you'll have more money.

INCREASE PROFIT MARGIN

You need to raise your prices. Yeah, that sounds counterintuitive in this race to the bottom that the big guys have been playing.

But margin is a key to better cash flow. You just have to know how to raise prices. There are three rules to raising prices in a way that can actually increase your sales. They are based on viewing pricing the way your customer views pricing.

The 99 Cent Rule:

Mark all items with the cents at 0.99. The price instantly looks like a value price not full price (0.00) or a gimmick price (0.57). This rule builds trust while maximizing profit. It says you are a value-based retailer but don't play games.



The 5-10-20 Rule:

Eliminate price points like \$3.99 and \$5.99. Change them to \$4.99 and \$7.99 respectively. They fit the price points under \$10 that sell the best. The best prices between \$10-\$20 are \$12.99, \$14.99, \$17.99 and \$19.99. Use them.



The B.O.G.G. (Bad, Okay, Good, Giveaway) Rule:

Change any price that has the numbers 3, 6 or 8 in the dollar column (eg \$18.99, \$26.99, \$33.99) by raising them one dollar (\$19.99, \$27.99, \$34.99). The prices will look better, you'll sell more, and you'll have a higher profit margin.



(For a complete FREE eBook on why these pricing rules work and how to fully implement them, go to www.PhilsForum.com, click on "Freebies" and download "Pricing for Profit")

DECREASE AVERAGE INVENTORY

This is the trickiest of all. You have to find a perfect balance between having too little merchandise to make a sale and having so much inventory that you don't have the cash to pay your bills.

The "perfect" inventory, if one were to exist, would be enough goods to

Inventory Management—Cash is King!

make the store look full and fulfill every customers' needs today, without having more than a week's supply on hand.

That isn't realistic for an independent retailer.

But there are ways to decrease your average inventory, including using Open-to-Buy systems and following some simple rules with each and every order.

HOW MUCH IS TOO MUCH?

The first and hardest decision about inventory is deciding how much to have. What is a comfortable inventory level?



Do you base it on what it takes to make the store look full? That's not a bad idea. An overstuffed store looks crowded, cluttered and uninviting. A sparsely filled store looks boring and uninspiring.

Do you base it on how much you need to order to get the best discounts? Free Freight and Extended Dating are enticing, but not always the smartest use of your cash.

Do you base it on mathematical formulas such as Dollars per Square Foot or Inventory Turn Ratios? These make a little more sense because they are easier to measure and manage.

The easiest of these to measure is Inventory Turn Ratio.



INVENTORY TURN RATIO

This tool is specifically designed to help you determine how much inventory you should have on average.

The Turn Ratio basically tells you how often you turn over or sell through your entire inventory in a year. The formula looks like this:

$$\frac{\text{Cost of Goods Sold}}{\text{Ave Inv (at cost)}} = \text{Turn Ratio}$$

The more you turn over or sell through your inventory, the higher your turn ratio. The higher your turn ratio, the higher your GMROI.

If you don't have a good Turn Ratio, you can use this formula in reverse to find the Average Inventory that would help. Simply divide your Cost of Goods Sold by the Turn Ratio you want. Most retailers look for at least 3 turns or more. This will give you an Average Inventory to shoot for.

(Note: Your inventory levels fluctuate. Average Inventory is just a starting point. Plan to have less inventory in your slower months, more in peak months.)

Once you know the inventory levels that you want, you need a plan for keeping your inventory around that level. One way to manage your inventory is an **Open-to-Buy Plan**

OPEN-TO-BUY

This system is a mathematical formula that tells you exactly how much merchandise you should receive for any given period of time

The math is considered challenging at best, and absolutely mystifying at worst.

But it really isn't. It is addition and subtraction with a little forecasting thrown in for good measure.

Best of all, you only have to know three numbers...

$$\int \sqrt{a^2 - x^2} dx = \frac{x}{2} \sqrt{a^2 - x^2} + \frac{a^2}{2} \sin^{-1} \frac{x}{a} + C$$
$$\int \frac{\sqrt{a^2 - x^2}}{x} dx = \sqrt{a^2 - x^2} - a \ln \left| \frac{a + \sqrt{a^2 - x^2}}{x} \right| + C$$
$$\int \frac{x^2}{\sqrt{a^2 - x^2}} dx = -\frac{x}{2} \sqrt{a^2 - x^2} + \frac{a^2}{2} \sin^{-1} \frac{x}{a} + C$$
$$\int x^2 \sqrt{a^2 - x^2} dx = \frac{x}{8} (2x^2 - a^2) \sqrt{a^2 - x^2} + \frac{a^3}{8} \sin^{-1} \frac{x}{a} + C$$
$$\int \frac{dx}{x^2 \sqrt{a^2 - x^2}} dx = -\frac{\sqrt{a^2 - x^2}}{a^2 x} + C$$
$$\int \frac{\sqrt{a^2 - x^2}}{x^2} dx = -\frac{\sqrt{a^2 - x^2}}{x} - \sin^{-1} \frac{x}{a} + C$$

Inventory Management—Cash is King!

Expected Sales (at retail) – how much do you expect to sell for the month? *(This is the first part of forecasting)*

Ending Inventory (at retail) – how much inventory do you want to have at the end of the month *(or you could think of it as how much do you want next month’s beginning inventory to be?)*

Beginning Inventory (at retail) – how much inventory do you have at the beginning of this month?

$$\text{Sales} + \text{Ending Inv.} - \text{Beg. Inv.} = \text{OTB}$$

Simply add your Ending Inventory to Expected Sales. Subtract from that the inventory you started with and you know exactly how much product to bring in, how much you are “open to buy”.

(Note: your OTB is at retail. You might have to do one more calculation – divide that number by your profit margin – to get your OTB at cost.)

Now for the hard part... Project this out for a whole year.

Here is what your projections might look like...

	Sales	+	End Inv.	-	Beg. Inv.	=	OTB
			Beg. Inv.	Exp. Sales	End Inv.		
January			\$9,000	\$2,000	\$10,000		\$3,000
February			\$10,000	\$2,000	\$10,000		\$2,000
March			\$10,000	\$2,000	\$10,000		\$2,000
April			\$10,000	\$2,000	\$12,000		\$4,000
May			\$12,000	\$4,000	\$12,000		\$4,000
June			\$12,000	\$4,000	\$10,000		\$2,000
July			\$10,000	\$2,000	\$10,000		\$2,000

Remember that Expected Sales is a guesstimate. Ending Inventory is also a number you create based on what you think would give you enough goods to support next month’s sales.

The trick to this formula is that it is a living, breathing document that needs constant updating. If sales don’t match expectations, you may need to adjust up or down.

Also, if what you ordered doesn’t come in, or you had to order more to make the minimums, then you need to adjust the following month.

(And that’s assuming that you can order on July 1st and get it before July 31st. And it is also assuming that your payment terms are the same for every company, and that backorders never happen, and that what you’re ordering is what you need right away, and that sales are always dead-on to your projections, and that your math is accurate and updated regularly, and that...)

...well, you get the idea.

If you have someone dedicated to the math, to tracking down every order, making sure all backorders are counted in the calculations, to overseeing every purchase from every vendor to be sure it fits into your OTB, then you may want to consider such a system.



The hard part of OTB’s is how easily they can **blow up**.

One big backorder and suddenly you don’t have the product you need to make sales. Or one offer too good to pass up and you aren’t open to buy that special order a customer requested. And how do you track those December Dating orders?

Although you should be tracking Sales, Receiving Inventory, strictly following an OTB will **drive most people crazy**. And you probably don’t have time or inclination to put in the effort it requires.

It only takes one screwed up order to blow up



Inventory Management—Cash is King!

your OTB. Ask yourself... How many screwed up orders did you have last month alone?

WHERE DOES THE MONEY GO?

To better understand how inventory affects cash flow, it is best to model it.

Here is a simple model that fits the toy industry and most 4th quarter driven retailers...

You buy 16 pieces of an item at \$50 each (plus 15% freight) You sell one each month for \$100 each, plus two in November and four in December.

For the year you buy and sell 16 items. Your cost (\$920), sales (\$1600), and profit (\$780) are all fixed.

But how and when you buy has a huge impact on cash flow. The following diagram spells it out.

Net 30, 1 Order, Freight	Bought	Sold	Cash	Inv.
January	(\$920.00)	\$100.00	(\$820.00)	\$750.00
February	\$0.00	\$100.00	(\$720.00)	\$700.00
March	\$0.00	\$100.00	(\$620.00)	\$650.00
April	\$0.00	\$100.00	(\$520.00)	\$600.00
May	\$0.00	\$100.00	(\$420.00)	\$550.00
June	\$0.00	\$100.00	(\$320.00)	\$500.00
July	\$0.00	\$100.00	(\$220.00)	\$450.00
August	\$0.00	\$100.00	(\$120.00)	\$400.00
September	\$0.00	\$100.00	(\$20.00)	\$350.00
October	\$0.00	\$100.00	\$80.00	\$300.00
November	\$0.00	\$200.00	\$280.00	\$200.00
December	\$0.00	\$400.00	\$680.00	\$0.00
	(\$920.00)	\$1,600.00	(\$228.33)	\$454.17

In the preceding table you receive all 16 pieces on Jan 1st, pay for them on Jan 30th. Therefore, \$920 (*cost of goods plus freight*) goes into the Bought column for January.

The second column shows your sales. One sale per month until November & December.

The third column shows your cash flow – how much went out (Bought), how much came in (Sold).

The fourth column shows your end of month inventory at cost (*for calculating Turn Ratios and GMROI*). The bottom line is totals and averages where necessary.

Notice that by buying all 16 pieces at the beginning of the year, you have negative cash flow all the way up until October. Instinctively it would make more sense to buy a few now, and a few later, right?

Of course it would!

Here are the key numbers of this model...

1 Order (Net 30 + Freight)

Ave Inv (at cost)	\$454.17
Monthly Cash Flow	(\$228.33)
Turn Ratio	1.8

Buying all 16 pieces at once, paying the freight, and paying in 30 days gives you an average monthly cash flow that is *over \$200 in the red!*

With a model like this, you'll have to borrow money to pay your bills with the interest eating into all your profit and making your cash flow even worse. Plus, you won't get to a positive cash flow until October at the earliest.

Don't try it! It doesn't work!

(Note: with some vendors, especially small vendors with limited items, you might only sell in a year the minimum needed to place an order. If you have enough lines that will provide positive cash flow, you can do this with one or

Inventory Management—Cash is King!

two smaller lines. But try to keep it to as few lines as possible.)

What if instead you bought 8 pieces in January and 8 pieces in July?
The math would look like this ...

2 Orders (Net 30 + Freight)

Ave Inv (at cost)	\$254.17
Monthly Cash Flow	\$ 1.67
Turn Ratio	3.1

Your average inventory drops by \$200! Your monthly cash flow becomes positive, and your turn ratio almost doubles—just by placing two orders instead of one.

Still, with only an average of \$1.67 of available cash per month, it's hard to pay your other bills. You'll still have negative cash flow for 7 out of 12 months and be borrowing to make payments.

Can you make 3 orders per year? Here is what the table looks like with 3 orders.

Net 30, 3 Orders, Freight				
	Bought	Sold	Cash	Inv.
January	(\$287.50)	\$100.00	(\$187.50)	\$200.00
February	\$0.00	\$100.00	(\$87.50)	\$150.00
March	\$0.00	\$100.00	\$12.50	\$100.00
April	\$0.00	\$100.00	\$112.50	\$50.00
May	(\$287.50)	\$100.00	(\$75.00)	\$250.00
June	\$0.00	\$100.00	\$25.00	\$200.00
July	\$0.00	\$100.00	\$125.00	\$150.00
August	\$0.00	\$100.00	\$225.00	\$100.00
Sept	(\$345.00)	\$100.00	(\$20.00)	\$350.00
October	\$0.00	\$100.00	\$80.00	\$300.00
Nov	\$0.00	\$200.00	\$280.00	\$200.00
Dec	\$0.00	\$400.00	\$680.00	\$0.00
	(\$920.00)	\$1,600.00	\$97.50	\$170.83

See how you now have positive cash flow in eight out of twelve months?

Following is a chart showing your average cash flow and turn ratio (16 items bought for \$50, sold for \$100) made for a variety of terms, orders and freight.

Dec. Dating, 1 Order, FFA	\$625.00	1.8
Net 90, 3 Orders, FFA	\$308.33	4.7
Net 90, 3 Orders, Freight	\$250.83	4.7
Net 60, 3 Orders, FFA	\$241.67	4.7
Net 90, 2 Orders, FFA	\$225.00	3.1
Net 30, 4 Orders, FFA	\$191.67	5.2
Net 30, 3 Orders, FFA	\$175.00	4.7
Net 60, 3 Orders, Freight	\$174.17	4.7
Net 60, 2 Orders, FFA	\$158.33	3.1
Net 90, 2 Orders, Freight	\$155.00	3.1
Net 30, 4 Orders, Freight	\$116.67	5.2
Net 30, 3 Orders, Freight	\$97.50	4.7
Net 30, 2 Orders, FFA	\$91.67	3.1
Net 60, 2 Orders, Freight	\$78.33	3.1
Net 90, 1 Order, FFA	\$25.00	1.8
Net 30, 2 Orders, Freight	\$1.67	3.1
Net 60, 1 Order, FFA	(\$41.67)	1.8
Net 90, 1 Order, Freight	(\$75.00)	1.8
Net 30, 1 Order, FFA	(\$108.33)	1.8
Net 60, 1 Order, Freight	(\$151.67)	1.8
Net 30, 1 Order, Freight	(\$228.33)	1.8

Inventory Management—Cash is King!

Two distinct trends appear.

First, look at all the orders at the bottom, the ones where you don't have any cash. They are almost all situations where you buy everything for the year up front – **one order per year!**

Second, look at the best cash flow models. They all seem to be based on **3 orders per year!** If you can place at least three orders per year, per vendor, you'll see your cash flow start to improve.

The one anomaly in the chart is that friend of every retailer—**December Dating**. For cash flow, it is the best. Get the product in now and start making money long before you have to pay for it.

December Dating, while the absolute best for your cash flow, is virtually impossible to calculate for OTB and Turn Ratios. That is why those methods are flawed at best for determining inventory levels.

The other drawback to December Dating is an impulse to over-buy and take risks on products you might not try otherwise. This can be good if you pick winners, not so good if you pick losers because it gives you less flexibility to change your product mix to match what customers are buying. December Dating is best when you are buying tried-and-true products with a solid track record of sales.

MOVING OUT THE DOGS

When you do pick losers, you need to get rid of your slow movers, the dogs that just didn't hunt. Otherwise they are like wads of cash sitting on your shelves that you can't touch.



There many ways for getting rid of unwanted inventory.

Here is how I did it.

In May/June we would identify the dogs, stuff we didn't sell through at Christmas, discontinued items, or stuff bought in Jan-March that hasn't sold by Mother's Day.



We would pull the items from the shelf, mark them half-off (or close... \$14.99 becomes \$7.99 etc) with red sales tags.

Then, on the 3rd Thursday of July we would hold our annual **Summer Fun Sale**. Wednesday night we would fill tables throughout the store with all the sale stuff, and Thursday we sell it all cash-and-carry – no layaway or giftwrapping.

It was usually one of the busiest days of our year. By only having one sale, however, we didn't train our customers to wait for the next round of markdowns like the department stores have done.

Of course, there are other methods such as incremental markdowns or having a clearance rack in the back of the store. Both of these train customers to wait for either a bigger discount or the item to make it to clearance. You want to turn your dogs into cash and stock your shelf with winners.



Make those dogs bark and get them out of here.

Phil's Inventory Do's & Don'ts

DO MEASURE, MEASURE, MEASURE

You can't manage what you don't measure.

Inventory Management—Cash is King!

Track your:

- Gross Sales
- Profit Margin
- Average Inventory (at cost and retail).



Calculate your:

- GMROI
- Inventory Turn Ratios.

Compare your numbers to your previous year, your expectations and industry standards. See where you differ and figure out why.

You will find that these simple tools will help you recognize problems faster and also help you see where to put your focus.

DO INCREASE YOUR GMROI

Pick one of the three factors (Sales, Margin, Inventory) for every category or vendor to be your primary focus and see what you can do to improve that number.

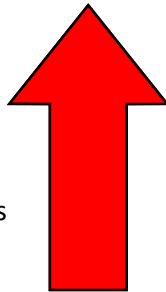
Selling all your dogs at cost won't affect the top numbers but will have a huge effect on the bottom number.

Increasing prices grows your profit margin without affecting average inventory at cost.

Sometimes, however, selling more at a reduced cost can help if it increases your Gross Profit Dollars.

If you sell 24 items making \$5 per item, your Gross Profit is \$120. If you sell 16 of the same item making \$7 per item, your Gross Profit is \$112.

The key is to find that sweet spot in the price that maximizes Gross Profit Dollars.



DO ASK FOR EXTENDED DATING

Extended dating helps increase cash flow.

Ask your vendors if they can extend you an extra 30 days, especially if making a huge commitment to their company. Or see if you can pay with a credit card when your net 30 terms come up, thus getting extra time to pay the bill. It doesn't hurt to ask. Plus, companies are more willing to give you an extra 30-days than to give discounts because those discounts come off their bottom line.

But be absolutely sure to pay your bills on time!

If you have cash on hand, ask for other terms like free freight or discounts for early pay. Free freight and discounts, while helping cash flow, can help your bottom line, too. But extended dating is usually easier to get.



DON'T RUN OUT OF THE MUST-HAVES



You have to have your best sellers in stock. No matter what!

Retail stores are built on winners. We can't sell what we don't have and we certainly don't want to be out of whatever customers are coming in expecting us to have.

Identify the best sellers in each category and make a concentrated effort to always have those items in stock. Then, when customers come in asking for them, you'll be able to say, ***"Yes, we have that in stock!"***

If you're constantly saying, "No, we're sold out," pretty soon they'll stop asking.

"Yes we have that in stock!"

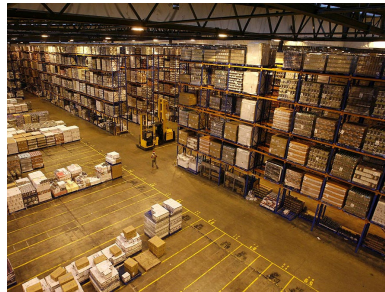
Inventory Management—Cash is King!

Having the hot items can help you overcome less than stellar stock levels of everything else, because ***the perception of the customer is that you have what they need.*** And we all know that perception is reality.

DON'T OUT-BUY YOUR TERMS

As much as you want your store to always be stocked to the gills, you have to *manage* your cash flow.

The easiest way to do that is to not out-buy your terms. If you have net 30 terms, don't buy more than 30-45 days worth of product. (You can extend that to 60 days if you have other sources of revenue or lines that turn even faster.) If you have net 90, buy 90-135 days worth of product.



That isn't always possible. Sometimes the minimum order or case pack is greater than the terms.

But if you make it your goal to not out-buy your terms, you'll rarely ever find yourself overloaded with merchandise in a product-rich, cash-poor situation.

DON'T BUY ANYTHING YOU DON'T WANT

You are not the land of misfit toys. You don't have to sell anything you don't want to sell.

Your sales reps will pressure you in many ways to try new products. They may suggest you pad an order with something you don't want just to earn an extra discount or some other break.

But do the math on that. If you need \$200 worth of



goods to reach \$2000 to get an extra 3% discount, you'll save \$60 on the order. But if you have to mark those unwanted goods down, it will cost you \$100. Not good math.

The only time I will stretch an order is if the discount is too good to pass up (*free freight on heavy, bulky items or an extra 60 or 90 days to pay more than usual*) or if the vendor is offering markdown money if the new stuff doesn't move.

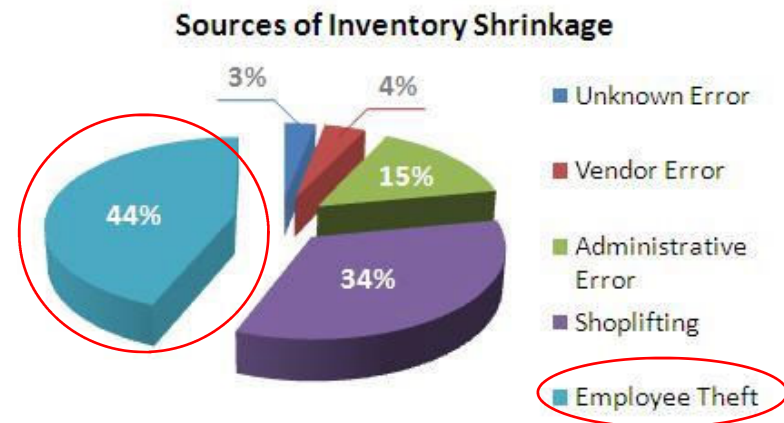
SHRINKAGE

Part of managing your inventory is measuring and controlling Shrinkage, those dollars (*and product*) that disappear mysteriously never to be seen again.



According to the National Retail Federation, shrinkage is around **1.5% of sales**. For some businesses it is much higher. Clothing stores can be as high as 4-5%.

To understand how to combat shrinkage you have to know first from where it comes.



Inventory Management—Cash is King!

Surprisingly, the largest cause of shrinkage is not shoplifters. It is your own staff. Either they steal it out the back door in their pocket or out the front door through discounts for their friends.

Shoplifters account for a third of the shrinkage. Accounting/Receiving Errors make up most of the rest.

STOP EMPLOYEE SHRINKAGE

Employee theft starts with you.



Did you do a thorough job checking out this employee before you hired her? Did you look at court records? *(they're online and free)* Did you call and check references? Did you verify employment?

Did you train her properly? Does she know all the procedures inside and out so that you know it isn't error?

Do you treat her well? Disgruntled employees are more willing to steal than happy employees.

Do you model proper behavior or are you taking stuff from the shelf, too?

Do you supervise what she does? Having one person on the staff in whom you can fully trust that everyone knows will be watching them can be a deterrent.

Do you have systems of checks and balances? Who counts the drawers? Who verifies the cash to the register receipts?

Do you have video cameras?

All of these are ways to reduce employee theft.

- * **Background Checks**
- * **Training**
- * **Golden Rule**
- * **Modeling**
- * **Supervision**
- * **Checks & Balances**
- * **Video**

The key is to hire honest, ethical people in the first place and then treat them with respect.

STOP SHOPLIFTERS

The biggest single way to deter outside shoplifting in your store is to greet everyone who enters through the doors with a big wide smile and a friendly eye-to-eye look.



Shoplifters want anonymity. The key to their success is being able to slip in and out without being seen or recognized.

There is a reason Wal-Mart makes a practice of hiring people to stand at the front door and say, "Hi," to everyone who enters. They know it helps stop some shoplifters right in their tracks.

(BTW, Wal-Mart's shrinkage is around 0.7% - less than half the national average!)

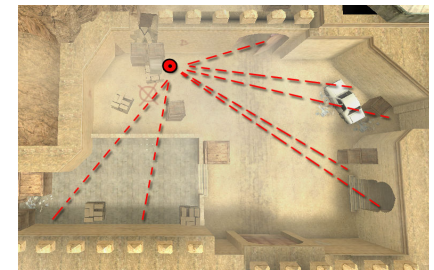
SIGHT LINES

Another method for reducing shoplifting is in how you design your store.

Are there hidden areas where a shoplifter can hide while taking an item out of its packaging? Are there places a shoplifter can go and not be seen by the staff?

Alongside anonymity, **shoplifters need invisibility.**

Tall shelving units and displays that are filled with small, easily hidden, high-ticket items like DVD's are a shoplifter's ultimate dream.



Inventory Management—Cash is King!

No matter what, put your valuables in plain sight of the cash-wrap area.

CROSS THE MOAT AND LEAVE THE CASTLE

Get your employees out of the castle known as the cash-wrap (*a nod to Bob Phibbs, the Retail Doc for this concept*). Get your staff out on the floor where they can greet and help your customers.



You eliminate both anonymity and invisibility when your staff float around the store.

Better yet, put them in uniforms and your presence on the floor becomes even more apparent and more of a deterrent.

STOP ADMINISTRATIVE ERRORS

Check, double check, triple check.

Match up every single invoice to what you actually received. Document any discrepancies and contact the vendor immediately.

Don't assume that the packing list, invoice, and contents of the box are the same. Count it and count it again.

Verify that the price in your computer matches the price on your tags.

Yes it takes time to do all that checking, but time is money. You get out what you put in.



CASH FLOW CHOICES

Sometimes you have to make a choice. Do you go after profits or do you go after better cash flow?

Selling more products at a discount helps cash flow. Selling fewer products at a higher margin helps profit.

Big promotions help cash flow but hurt profit.

Getting a high turn ratio with extended dating helps cash flow. Getting a big discount and free freight for out-buying your terms (*or paying early*) helps profit.

But the **bottom line** is this...



When you measure your **GMROI & Turn Ratios**, and look at making smaller, more frequent orders, cash flow will improve.

With good cash flow, you can improve your marketing and other measures to drive in traffic and increase your profits.

It all starts with Managing your Inventory.

Remember...

**Cash is King and You
are the Advisor!**

