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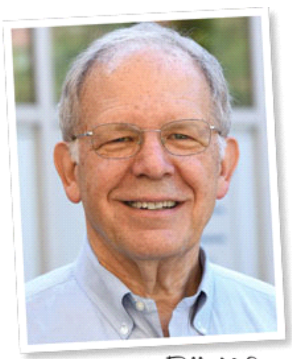
# Marketplace Reality Meets Inventory

*Bill McCurry*



Bill McCurry

Shrink is an ugly and ill-defined word. A practical definition is, “Merchandise or assets that aren’t there and must be written off.”

Here’s an actual situation where the inventory “shrink” didn’t mean an immediate loss of profit dollars. It’s worse—it meant a loss of customer confidence and repeat business. As it happens, it’s my story. We enjoy the wildlife in our gardens. Granted, the deer can be a problem and the woodpeckers hammering on the house are annoying, but the truth is we’re obsessive about feeding birds.

We buy multiple 20-lb. sacks of Lyric Finch weekly. We’ve tested many brands, and in our experience, it’s the one that leaves the least amount of waste in our backyard. Three retailers in our area stock it. An independent garden center, an independent Ace hardware store and a pet store we found thanks to their support of our local volunteer fire department. Although they were three blocks from our home, we didn’t know they existed.

One of those ugly realities is that bird seed is heavy with comparatively low value per pound. This means significant freight costs. Many stores order erratically, needing a large order quantity to minimize freight costs. Without accurate inventory information, they were frequently out of stock.

A year ago, I would visit all three locations to find adequate stock of the Lyric Seeds. The pet store might have a couple bags, but never the quantity we need.

The garden center knows me on sight as a big birder. Their management knows I’m a Green Profit writer, but the staff doesn’t. I try to keep a low profile so I’m able to observe the reality of retail.

The hardware store had been a local independent. The owner would order like the other two independents, waiting until stock of all Lyric products was low and then place a large order. Frequently, all three stores would be out of stock.

At the hardware store, the new owners closed out several departments. They refilled the bare shelves only with private label “house brands.” After a month, I gave up going there to check their inventory, not seeing what I wanted. However, three months later I was looking for a hardware product—and surprise!—they had a three times larger bird area and had added national brands. They had eight 20-lb. Lyric Finch seed bags. Since then, I’ve never seen bare shelves. They always have at least three bags in stock and occasionally as many as 10. It’s pretty obvious someone looked at the data, not only concerning sales, but also at the amount of time they were out of stock. They increased the on-hand quantity to see what sales might have been missed when the shelves were bare.

One day I called the garden center and was assured they had the Lyric seed in stock. I arrived 20 minutes later and they had mysteriously "sold out." The assistant manager went to the POS, but couldn't find any Lyric Finch sales the entire day. She asked about it with the person who answered the phone. His defense was, "The computer said we had it. You can't expect me to get up and go check out every phone call to be sure the computer's right." Under those circumstances, would anyone but a *Green Profit* columnist ever return to that store?

The fallacy of modern computers is we think they know the sales potential of the products we carry. They don't. If the computer's inventory level is wrong and we're really out of stock, we have no idea how many people wanted to buy, couldn't buy and walked out, never to return. The loss of repeat customers technically isn't "shrink," but its economic impact can last forever. When customers are disappointed, they find another source for their needs. **GP**

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*Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at* wmccurry@mccurryassoc.com *or*
*(609) 731-8389.*