

Features

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Death by Inventory, Part 2

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In Part 1 of this series, we examined the importance of adding value and raising prices to improve margin versus attempting to make up margin through volume. We also looked at how non-perishable items have a shelf-life, just as perishable items do. The Merchant's Mantra, "Never buy what you can't sell before you have to pay for it," rings true here. To catch up on the rest of Part 1, visit www.greenprofit.com to read the full story. And now, in the words of broadcaster Paul Harvey ... the rest of the story.

Inventory Shrink

While people who deal with inventory may benefit from having their heads examined by psychologists, they will do just fine by getting their inventory velocity up and their inventory shrink under control.

Shrink comes in many forms and is always expected and should be budgeted. Shrink of 1% to 2% may be usual and expected, but is always something to try to keep in check and improve upon. When shrink rises to 3% or more, there's a real need to tighten up inventory management to reduce the drain.

Shrink from internal theft is one of the most dangerous sources of financial distress and can destroy the financial health of a business to the point of no return. Stolen items and cash are rarely recovered if they're detected and the thief prosecuted. The best deterrent to theft, and cure for it, is prosecution. A client once told me that a grandfather of a young employee who was caught stealing came into their store years later and told the owner that he wished he had encouraged them to press charges rather than asking them to drop the charges because that first discovered theft was the beginning of a lifelong pattern of theft and deception.

Yes, you do have a problem with shoplifting shrink, especially if you think you don't. Shoplifting must be taken seriously with deterrent and preventive measures, including cameras, mirrors and anti-theft procedures and devices. This is an effort that pays for itself, without question.

The largest and most dangerous areas of shrink are excessive discounts used to draw traffic and over-buying product.

Meet Your Inventory Creep

There's an inventory creep alive and well in your store. I know this because I see his handiwork with merchandise spilling out of displays and into aisles, making it difficult to walk through your store.

"We have met the enemy and he is us." I recommend that you keep a pair of crutches handy in your backroom and occasionally have your buyers and managers walk through your store on them to wake them up to the presence of the elusive creep.

Curated, Edited Inventory

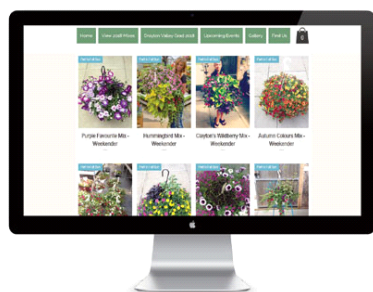
It's been a popular concept post-recession for retailers to go boutique and present a carefully curated, edited selection of products. This clarifies value to the consumer, and if done very well, focuses inventory toward the higher turnover, high margin items. Simple is always better, but never easy. It's also becoming less and less of a sustainable model because of the effect of that big company based in Seattle that's selling everything to everybody.

The Long, Long Tail of Inventory

Inventory has a practical use as a marketing tool to attract customers to a one-stop-shop where they'll surely find exactly what they're looking for, or aren't looking for, but they know you'll have it. In the attempt to add items to increase and expand in-season and off-season sales, many garden centers have created complexity and clutter—not to mention dead inventory—that's impossible for their customers to absorb and near impossible to maintain. The wider the inventory assortment, the greater quantity of store traffic is required to support it.

OPI—Other People's Inventory

An expansive category killer product selection means you'll have everything for everybody who would ever want it and that you'll bleed a slow death of thousands of cuts one item at a time. It's time to seriously consider leveraging OPI—Other People's Inventory—by partnering with suppliers who will ship to your store or drop ship to the consumer upon their purchase.



Cutting Through Clutter with Search

This is where the Internet is shifting retail. You're used to reaching out with advertising to find customers who want to buy what you want to sell. Now consumers seek to find what they want online and you must show up in their sights or you and your inventory are dead to them.

Today more than 80% of consumers begin their shopping adventure online. They search and research online to arm themselves with the information

and knowledge to make a great buying decision the first time.

Pictured: Retailers like Deb's Greenhouse in Alberta, Canada, have a robust web presence, letting customers shop products online to come prepared into the store.

Internet marketplaces such as Amazon, Jet, Hayneedle, eBay, Craigslist and others are providing consumers endless selection and endless depth of inventory that no brick-and-mortar store can compete with. Today more than 55% of consumers who intend to make a purchase begin their trek over there at www.amazon.com. The majority of those consumers never leave that domain and those who do have already armed themselves with information to help them buy more price-intelligently. We and our customers don't leave these domains and also don't leave our homes nearly as often as we all used to. This means that we must work even harder to earn their presence in our stores and are more likely to end up on the "have-to" list of things to do, rather than a "get-to" place to go shop.

Free Your People

You'll never have enough staff, until they sell enough of your stuff. When your people are spending disproportionate time acquiring and maintaining inventory in comparison to time invested to help customers buy it, things are out of whack. Freedom from excess inventory allows your people to be in front of customers, helping them buy. **GP**

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Missed Part 1?

Visit www.greenprofit.com to see the first Death by Inventory story, which ran in the March issue.