


Recommending a Strategy

Inventory and CounterPoint

Vision Statement

- Most Software is under-utilized. Through training and automation we can help our customers realize bottom line results.



Goals and Objectives

- Tracking Fast Moving Items
- Being Confident in Availability
- Turns
- Reporting
- ABC's Classification of Inventory
- Help to Better Price Products
- Using Tutorials & Documentation

Definitions

- **Stock Ratio**

$$\text{STOCK TURNOVER RATIO} = \frac{\text{Cost of goods sold}}{\text{Stocks}}$$
- **The Inventory Turn Rate**

$$\frac{\text{Cost of Goods Sold from Stock Sales during the Past 12 Months}}{\text{Average Inventory Investment during the Past 12 Months}}$$

Definitions

- GMROI which stands for Gross Margin Return on Investment.

$$\text{Gross Margin } \$ + \text{ Average Inventory Cost} = \text{GMROI}$$
- Gross Margin \$ = Revenue - Cost of Goods Sold
- Adjusted Margin (Carrying cost 30% of cost.)

$$\frac{\text{Annual Gross Profit Dollars} - \text{Annual Carrying Cost Dollars}}{\text{Annual Sales Dollars}}$$
- Markup % =
$$\frac{\text{Sales Price} - \text{Cost}}{\text{Sales Price}}$$

How Did We Get Here?

- You have been using CounterPoint for years and gathering inventory and sales information. It has all this information, but how do you use it? And what does it mean?

Track Fast-Moving Items

- Identify them
 - Merchandise Analysis Report
 - Inventory Analysis Report
- Manage These Items
 - Target your high-value, fast-turning items and perform cycle counts.
 - Use Min Max or Days of Supply for purchasing.
 - Document Re-Order procedure.
 - Inventory Availability Report

Items Reports

- Stock Status by Location Detail Report (Grid)
- Inventory Status Report by Location Detail (Grid)

Perpetual Inventory – “Myth or Reality”

- Code your inventory, i.e., A / B / C
- Always in stock
- Evaluate before ordering
- Move to sale section

“Less is More” – the paradox of choice

- Best Buy – 3500 sku's
- Trader Joe's – 10,000 sq. ft. / 2,000 – 2,500 sku's
- Tesco – 10,000 sq. ft. / 3,500 sku's

Establish a permanent sale section

The Effect of Sales and Markdowns on Profit

- \$20 Original price
- 20% off Sale
- \$16 Sale price = 0% Profit

Based on 40% operating expenses and 52% initial markup

- 25% off = 4% Loss

Sales Tactic

25% off – An additional 15% will be taken at the register = 36.2% - rather than 40% off.

Across all retail segments, operational expenses as a % of sales should not exceed 39%

Key Numbers

“If you can't measure it, you can't manage it”

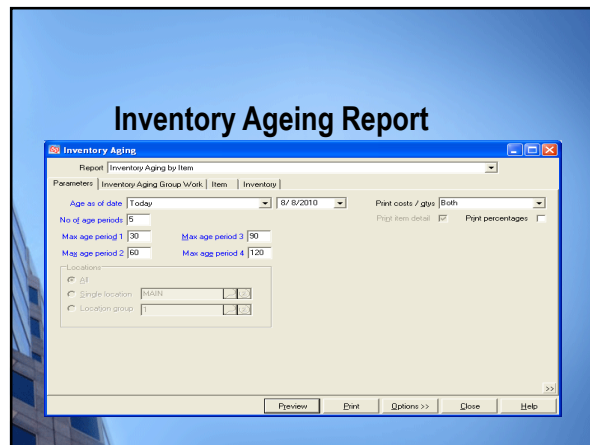
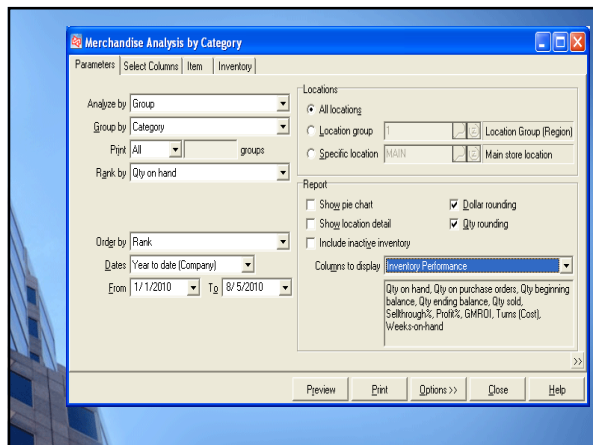
- GM%
 - Average ticket
 - Number of transactions
 - Inventory valuation
 - Expenses as a % of sales
 - Inventory Turns by category
- Create a spread sheet and post numbers monthly

Inventory Turns

- The Concept of Inventory Turnover**
- Say you sell \$10,000 worth of a product (at cost) each year. Total revenue received from sales of the product is \$12,500. If we bought the entire \$10,000 worth of the product on January 1st, at the end of the year we would have made a \$2,500 gross profit on an investment of \$10,000.

Sell with Less Investment

- Could we make the same gross profit on a smaller investment? What if we were to buy \$2,500 dollars worth of material. Sell most of it. Buy another \$2,500 dollars worth of the product. Sell most of that shipment and then repeat the process two more times before the end of the year. The annual gross profit of \$2,500 is now generated with an investment of about \$2,500.



Pricing and Markdown Strategy to Move Product

- Use the ageing report to identify the old products.
- Move them by sales or markdowns.
- Monitor average margins. Make sure initial price is high enough that you can mark down the products.

Inventory Turnover Formula

- $$\frac{\text{Cost of Goods Sold from Stock Sales during the Past 12 Months}}{\text{Average Inventory Investment during the Past 12 Months}}$$



CounterPoint Documentation

- <http://www.radiantsystems.com/>
- <http://www.synchronics.com>
- http://www.synchronics.com/training/train_wbn_classes.htm
- http://www.synchronics.com/training/train_cbt.htm
- http://www.synchronics.com/training/train_eln.htm
- C:\Program Files\CounterPoint\Documentation

Sales Analysis by Group

- Mother of all Sales Reports

Merchandise Analysis

- Mother of all Inventory Reports.

Dash Board

- Sales History

Physical Count

- This is the time of the year we get to have our physical inventory match CounterPoint! This enables us to make better buying decisions, checks on security protocols and audits our business processes.

Physical Count

- Performing a physical count is a stressful job and requires a lot of work. Since a physical count is typically performed once per year we forget all the steps that are required for a successful physical count.

Physical Count Tips

- Please read all the CounterPoint documentation and view the CPSQL electronic tutorial. If you do not know the answers don't guess. Call us; it could save you a lot of time. LPA Retail Systems, Inc. rents out portable data collectors. They speed up the process and make it more accurate.

Physical Count

- As some one told me, "It used to take use three days to perform a physical count and we knew there were mistakes, but we did not have time to fix them.

Physical Count Tips

- Now we get it done in one day and it is many times more accurate." We also support barcode verification. We pre-load your barcodes and if you scan an item that is not on file it will reject it. This gives you the chance to add the barcode to CounterPoint and fix as you count.

Tips:

- Assign someone the job of Count Master. It is their job to organize and supervise the physical count.
- Assign someone to work with CounterPoint and give them time to learn the process.
- Make a map of your store. Try to keep the areas small enough to count in under an hour.

Tips

- Get some post it notes and write the map coordinates of each location from the map.
- Post all transactions in CounterPoint. A few of these transactions are: Inventory adjustments, Point of Sale, Receiving, Return to Vendor, Purchase Adjustments, and Inventory Transfers.

Tips

- Print an Inventory Valuation Report and save it to a file or disk.
- Make a copy of the physical transaction file after completing the physical count create.
- Make a few trial runs so you are comfortable with the process and are getting the results you expect.
- Make a chart for the count

Chart

Map Locations	Counted By Who	Exported out of Scanner	Deleted out of scanner	Imported into CP	Errors Corrected
A	CL	Yes	Yes	Yes	Errors fixed
B					
C					
D					
E					
F					
Warehouse					

Physical Count

- Fill out the chart as you go. Most mistakes are made by double importing a file or forgetting one.
- As team members count an area give them the post it note and have the post it note travel through the process. This way you will know if an area has been counted.

Physical Count

- Before you post, review the work sheets and check for accuracy. Make changes if necessary.
- Be careful when you post if you don't know what the results will be of the options you choose. Do not guess.

Physical Count

- Print another Inventory Valuation Report and save it to a file or disk.
- CounterPoint SQL has a tutorial on how to perform a physical Count. Here is the link
- http://www.synchronics.com/training/train_cbt.htm