

# Instore Magazine – Inventory Management Strategies, Part One: Replenishment

There is very little that is more important than managing your most valuable asset – your inventory.

I will share with you the concepts and strategies that I have successfully implemented to manage my inventory in the past. However, I will not be providing magic formulas new to this industry. Wish I had some!

But, I am here to tell you that it can be done – you can achieve unprecedented metrics for your company by applying the following strategies. The three critical areas of inventory management are Replenishment, New Purchasing and Aged Inventory. I want to emphasize that all three areas are of *equal* importance and focusing on one and neglecting the other two will not get you the results that you want. This month we will be reviewing Replenishment.

Replenishing your fast selling merchandise is like fuel for the engine of a car! No matter what, you will always need to have available dollars to replenish the product that is flying out your door. We, or our salespeople, tend to get bored – long before the client gets bored by a style. We need to put aside our opinions and remember that our job is to give our clients what they want, and there are many styles that just keep selling. You'll want to replenish your best selling styles *before* you consider any new purchasing.

## Follow this process:

- Break out your Open to Buy by replenishment dollars and new purchasing dollars
- Make sure that you are replenishing in concert with your Strategic Plan, for example if you want to build your bridal business, be aggressive in replenishing those skus
- Review reports that identify quick sellers, and measure the days it took to sell
- Flag programs such as wedding band grids, diamond stud earrings, etc. as never outs and replenish these automatically

- Factor in lead time when placing orders – you may need to order multiple units to assure an in stock position at all times
- For high velocity SKUs ask your vendors to shelf stock – for them it is a guaranteed sale, and you get 24 hour delivery
- Make sure that your projections for your shelf stock is realistic, not best case – your vendor won't want to continue if the product is not moving off the shelf
- Replenish weekly without fail – this might be the most important point, period
- Invest time and effort to categorize your best sellers so you can manage them efficiently
- Monitor your never out skus monthly to identify a downward trend, and evaluate whether to discontinue

Your replenishment strategy can also be a way to increase profits. Target your high profit categories and replenish them first if you don't have enough dollars for everything. Leverage your high profit skus by carrying them in other versions, or expand the assortment. One profit opportunity is to remark your inventory based on current cost, and not what you paid on all your replenishment SKUs. While you are doing this, look at the piece with perceived value in mind, and you might mark it up even further. Putting time, energy and focus into replenishing your stock requires discipline and dedication. But the financial rewards can be significant. There is probably no greater factor in increasing your inventory turn than replenishment. And, inventory turn is what generates cash flow; it is what pays the bills. The other important aspect of replenishment is that you will increase your sales by having in stock the product that your clients want, because if you don't have the style they want, they will go somewhere else to purchase it. Next month we will review New Purchasing.