

# How to Make Smart Inventory Buys



Presented by



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# **“When buying inventory, which of the following questions are most important to ask?”**



- Can I lower my cost for a larger order?
- Can I get a discount for early payment?
- Can I reorder this product if I run out?
- Is this a product my competition sells?
- Will I have greater leverage with this supplier if I buy a lot of their product?
- Is this a “cool” product and will I gain customer credibility for selling it?
- Can I get some vendor rebates, spiffs, trips, prizes, awards or cool T-shirts?

# None of them !!



***“Who ordered  
this junk ?!?!?”***

**“What” and “How Many” to buy depends ONLY on your answers to these questions:**



- (1) Can I **sell** this product ?**
- (2) Will I make a **profit** ?**
- (3) How **quick** can I **sell** it ?**
- (4) How **quickly** do I have to **pay** for it?**

# 1. Can I Sell This Product?



- Is this product really marketable, useable and/or in demand ?
- Will “your” customers want to buy this product?
- Is your sales rep having a slow month and looking for a sucker?

## 2. Will I make a Profit?



Selling Price	\$ 1,000	100%
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Cost (incl freight)	( 600)	60%
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Gross Profit	\$ 400	40%
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### 3. How Quick Can I Sell It?



- ▶ 30 days = buy "tons"
- ▶ 60 days = buy "many"
- ▶ 90 days = buy "some"
- ▶ 120 days = buy "few"
- ▶ 121+ days = **DON'T BUY ANY,**  
(moron !)

## 4. Vendor Payment Terms?



- You must be able to sell most of the product (if not all) “before” your vendor’s payment due date!!
- Otherwise, you’ll have cash flow shortages, requiring you to either
  - (a) borrow or invest more money,
  - (b) string your vendors out, or
  - (c) say “good-bye”

# The Objective...



**“To sell it,  
at the highest gross profit,  
in the least amount of time,  
and never pay for it. ”**

# Alan's Rule of Thumb



" Buy the product ONLY IF  
you know you can sell it in  
"X" days or less, where "X" is  
equal to 360 days times  
your gross profit percent. "

# *Alan's "Rule of Thumb"*

## **STEP 1 - CALCULATE YOUR GP%**

Selling price	\$ 800	100%
Cost of good sold	<u>600</u>	<u>75%</u>
<b>GROSS PROFIT</b>	<b><u>\$ 200</u></b>	<b><u>25%</u></b>

## **STEP 2 - CALCULATE DAYS TO SELL**

No. of days in the year		360
x Gross Profit Percent (%) per above		<u>0.25</u>
<b># OF DAYS TO SELL THE PRODUCT</b>		<b><u>90</u></b>

## **STEP 3 - NOW MAKE THE DECISION:**

If you can sell it in 90 days or less, BUY IT !

If you can't or aren't sure, DON'T BUY IT !!



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