BIG BANG BOOT CAMP:

"Fiscal Fitness for your Print Dept"

Part 2 – Floor Work

Presented by
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Part II – Physical Floor Work

1. Customer Special Orders
2. Holding Product For Customer Pickup
3. Customer Returns
4. Print Department Sales Events

1. Customer Special Orders

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a) The Importance of Special Orders
b) Customer satisfaction vs. profit
c) Smart policies to deal with:
   i. Out-of-the ordinary suppliers
   ii. Special handling
   iii. Expedited service
   iv. Customer communications

1. Customer Special Orders

- Question #1 for the audience:
  When are you truly “invested” in your inventory?
- Question #2 for the audience:
  If the costs to process a special order exceeds the profit made on the sale, is it still worth doing?

2. Holding Music For Customer Pickup or Delivery

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a) Pros & cons of holding product
b) Set smart policies
c) Set smart practices:
   i. Record hold date
   ii. Contact customer
   iii. Deal with combined orders
   iv. Be aware of habitual holders

2. Holding Music For Customer Pickup or Delivery

- Focus used to be sales & G.P.
- Now it's how fast you're turning over (= selling) your inventory
- The 3 essential tools to effective inventory management

1. Gross Profit

Sales	$ 1,000,000	100%
Cost of Goods Sold	(600,000)	60%
Gross Profit	$ 400,000	40%

Our “Gross Profit” Goal:

25% – 45%+

Inventory Turns

Cost of Goods Sold	($600,000)
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Avg. Inventory on hand (at cost)	($300,000)

= 2 Inventory Turns …or, it took you six months to turn over your entire inventory (in $$$)

Our “Inventory Turns” Goal:

2.5 – 3.0+

GMROI

Gross Profit	($400,000)
Avg. Inventory on hand	($300,000)

= GMROI of $1.33 …or, you earned $1.33 for every $1.00 you invested in inventory

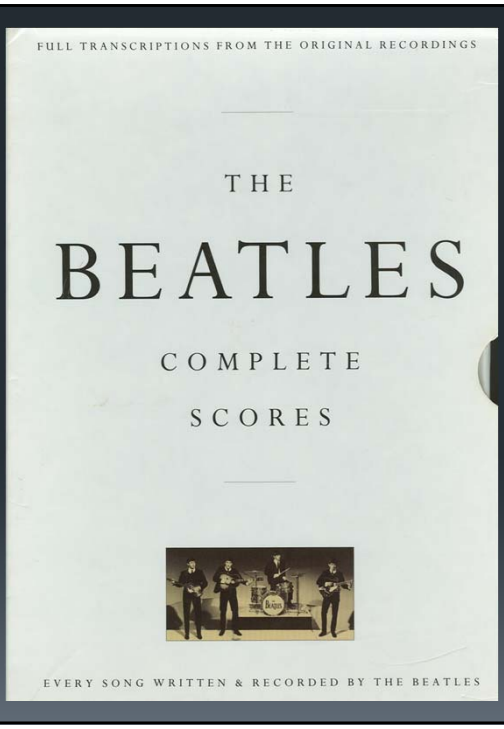
Our "GMROI" Goal

$1.50+

3. Customer Returns

3. Customer Returns

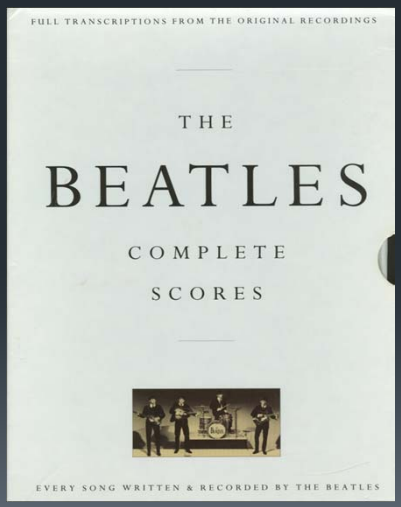
a) Consider all business aspects
b) Set “smart” policies for returns (cash? store credit? shot at dawn?)
c) Establish standard customer communication guidelines
d) Track returns to identify repeat offenders…shoot them on sight



$79.95 (US)
Publisher: Hal Leonard
Inventory #: HL 00673228
ISBN: 0793518326
UPC: 73999732283
Width: 7
Length: 11
1136 pages

Let's test our 3 essential inventory management calculations…

- In January of last year, you bought four copies of *The Complete Score of The Beatles*; the book has a list price of approx. $80.
- Your cost was $50, including freight.
- You sold all four copies by the end of the year, as follows…



Example 1…

	QUANTITY		INV DOLLARS	
MON	Sold	On-hand	Sold	On-hand
		4		$ 200
JAN	0	4	$ -	$ 200
FEB	0	4	$ -	$ 200
MAR	0	4	$ -	$ 200
APR	-1	3	$ (50)	$ 150
MAY	0	3	$ -	$ 150
JUN	0	3	$ -	$ 150
JUL	-1	2	$ (50)	$ 100
AUG	0	2	$ -	$ 100
SEP	0	2	$ -	$ 100
OCT	0	2	$ -	$ 100
NOV	-1	1	$ (50)	$ 50
DEC	-1	0	$ (50)	$ -
			AVG INV	$ 125

Example 1 – Gross Profit

Sales	$ 320	100%
Cost of Goods Sold	(200)	62.5%
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Gross Profit	$ 120	37.5%
	======	=====

Example 1 – Turns

$$\frac{\text{Cost of Goods Sold}}{\text{Avg. Inventory on hand}} \quad \frac{(\$200)}{(\$125)}$$

= 1.6 Inventory Turns … or it took you an average of 228 days (or 7.5 months) to turn over the entire "Beatles Score" inventory

Example 1 – GMROI

$$\frac{\text{Gross Profit}}{\text{Avg. Inventory on hand}} \quad \frac{(\$120)}{(\$125)}$$

= GMROI of $0.96 …or, you earned 96 cents for every $1.00 you invested in the "Beatles Score" inventory.

Example 2…

	QUANTITY		INV DOLLARS	
MON	Sold	On-hand	Sold	On-hand
		4		$ 200
JAN	-1	3	$ (50)	$ 150
FEB	0	3	$ -	$ 150
MAR	0	3	$ -	$ 150
APR	-1	2	$ (50)	$ 100
MAY	0	2	$ -	$ 100
JUN	0	2	$ -	$ 100
JUL	-1	1	$ (50)	$ 50
AUG	0	1	$ -	$ 50
SEP	0	1	$ -	$ 50
OCT	-1	0	$ (50)	$ -
NOV	0	0	$ -	$ -
DEC	0	0	$ -	$ -
			AVG INV	$ 75

Example 2 – Gross Profit

Sales	$ 320	100%
Cost of Goods Sold	(200)	62.5%
	---	---
Gross Profit	$ 120	37.5%
	======	=====

Example 2 – Turns

$$\frac{\text{Cost of Goods Sold}}{\text{Avg. Inventory on hand}} \quad \frac{(\$200)}{(\$75)}$$

= 2.7 Inventory Turns … or it took you an average of 137 days (or 4.5 months) to turn over the entire "Beatles Score" inventory

Example 2 – GMROI

$$\frac{\text{Gross Profit}}{\text{Avg. Inventory on hand}} \quad \frac{(\$120)}{(\$75)}$$

= GMROI of $1.60 …or, you earned $1.60 for every $1.00 you invested in the "Beatles Score" inventory

4. Print Dept. Sale Events

Let's use our 3 new inventory mgt tools to analyze our store's entire inventory…

…using a "1-Page" solution..!!

BIG AL & SILENT BOB'S MUSIC STORE
SALES and INVENTORY ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	A	B	(A - B) C	(C / A) D	E	(B / E) F	(A/TotalA) G	(E/TotalE) H	(C / E) I
	Sales	Cost of Goods Sold	Gross Profit ($)	Gross Profit (%)	Average Inventory	Inv Turns	Sales as % of Tot Sales	Inventory as % of Tot Inv.	(GMROI) Gr Margin ret on inv
Guitars - electric	$ 300,000	$ 225,000	$ 75,000	25%	$ 200,000	1.13	12%	19%	$ 0.38
Guitars - acoustic	125,000	85,000	40,000	32%	40,000	2.13	5%	4%	$ 1.00
Basses	100,000	67,000	33,000	33%	35,000	1.91	4%	3%	$ 0.94
Amps	100,000	62,000	38,000	38%	35,000	1.77	4%	3%	$ 1.09
Drums and percussion	150,000	105,000	45,000	30%	40,000	2.63	6%	4%	$ 1.13
Keyboards	200,000	115,000	85,000	43%	75,000	1.53	8%	7%	$ 1.13
Pianos and organs	425,000	240,000	185,000	44%	210,000	1.14	18%	20%	$ 0.88
Band and orchestra instruments	100,000	70,000	30,000	30%	35,000	2.00	4%	3%	$ 0.86
Recording equipment	275,000	195,000	80,000	29%	105,000	1.86	11%	10%	$ 0.76
Microphones	50,000	35,000	15,000	30%	10,000	3.50	2%	1%	$ 1.50
Sound reinforcement	175,000	95,000	80,000	46%	15,000	6.33	7%	1%	$ 5.33
Effects	75,000	50,000	25,000	33%	25,000	2.00	3%	2%	$ 1.00
Print Music	200,000	105,000	95,000	48%	205,000	0.51	8%	19%	$ 0.46
Accessories	130,000	70,000	60,000	46%	30,000	2.33	5%	3%	$ 2.00
TOTALS	**$ 2,405,000**	**$ 1,519,000**	**$ 886,000**	**36.84%**	**$ 1,060,000**	**1.43**	100%	100%	**$ 0.84**

BIG AL & SILENT BOB'S MUSIC STORE
PRINT SALES and INVENTORY ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	A	B	(A - B) C	(C / A) D	E	(B / E) F	(A/TotalA) G	(E/TotalE) H	(C / E) I
	Sales	Cost of Goods Sold	Gross Profit ($)	Gross Profit (%)	Average Inventory	Inv Turns	Sales as % of Tot Sales	Inventory as % of Tot Inv.	(GMROI) Gr Margin ret on inv
Guitar	$ 35,000	$ 15,000	$ 20,000	57%	$ 45,000	0.33	18%	22%	$ 0.44
Instrumental	60,000	31,000	29,000	48%	18,000	1.72	30%	9%	$ 1.61
Piano & keyboard	50,000	22,000	28,000	56%	70,000	0.31	25%	34%	$ 0.40
Organ	7,000	5,000	2,000	29%	1,000	5.00	4%	0%	$ 2.00
Vocal	20,000	10,000	10,000	50%	40,000	0.25	10%	20%	$ 0.25
Choral	25,000	20,000	5,000	20%	30,000	0.67	13%	15%	$ 0.17
Miscellaneous	3,000	2,000	1,000	33%	1,000	2.00	2%	0%	$ 1.00
TOTALS	**$ 200,000**	**$ 105,000**	**$ 95,000**	**48%**	**$ 205,000**	**0.51**	100%	100%	**$ 0.46**

So what do we do now to fix this problem?

a) Re-merchandise?
b) More advertising?
c) Return to vendor? (nice try..:>)
d) Spiff your employees?
e) How about a party? (a.k.a. “The Print Department-Wide Event Sale”)

Questions for our Personal Trainers?