

Inventory: "Why Is My Computer Always Wrong?"

Dear Jennifer,

Inventory is always a popular topic for music retailers. While we're not going to talk much about its measurement in this article, I'd like to encourage each of you to strive to use the GMROI calculation in order to monitor your inventory management and productivity. As many of you know, GMROI is the return on each dollar invested in inventory (calculated by dividing gross profit dollars by your average inventory cost). If you need further information on this, please let me know. However, in this E-Blast we are going to focus on one of the simplest definitions of inventory and how to help you achieve that goal.

I've always thought the goal with any inventory is to have the right product at the exact time the customer wants it! As simplistic as that sounds, there's a lot of truth to that notion. If we set aside the issue of product availability (which can also differ between markets), the main factor that affects out-of-stock status is inventory accuracy. If you rely on an inventory tracking system to assist you with ordering, you could miss out on sales revenue if your inventory data is not correct.

The best way to improve accuracy is to simply take a physical inventory. As we now find ourselves in the middle of October, I encourage you to set aside a few hours in the next six weeks to physically count the items in your store. Compare this count against your inventory tracking system. If you consider how important it is to have popular accessories in stock for the upcoming Christmas and Holiday season (knowing you can often make more profit on those products than on the larger-ticket items), why would you ever want to be out-of-stock on these quick selling profitable items? Yes, I am suggesting you start counting some of the more tedious items like accessories! Consider this for a timetable:

3rd Week of October:	Combo Accessories
4th Week of October:	Band and Orchestra Accessories
1st Week of November:	Fretted and Amps
2nd Week of November:	Sound Reinforcement
3rd Week of November:	Percussion
4th Week of November:	Keyboards and Recording

If you count one area each week, you could have your entire store's inventory reconciled before the busy holiday season is in full swing.

Some of you might be thinking, "This guy is nuts; I don't have time to do all of this! Does he know what have to do each day?" You're right; you don't have time to do this - so DELEGATE! Say it with me slowly with a mid-western drawl, del-a-gait! Figure out a way, using your inventory tracking module, to print out a list of items by category. Ask trustworthy members of your organization to count these items and give you the results. Once they return a completely counted list, you'll have the power to ask questions, double-check the count yourself if needed, and then make corrections in the computer.

Inventory is one of your largest assets and is the key to making profitable sales. Accurate inventory is what makes more sales and related cash flow! It's important, so try to find some time to give your most important tangible asset the greatest chance of generating profits for you!