

the **NAMM**[®]
show¹²
Make it Count.



“Inventory: How to Manage Your Biggest Investment”



presented by
Alan M. Friedman, CPA
Friedman, Kannenberg & Company, P.C.

NAMM[®]
idea center

- Demonstrate how to make a “**sound investment**” in inventory
- Remove the “gut approach” and instead use an **objective reporting tool** to manage your inventory
- **Q&A** along the way

- 1) Can I sell this product ?
- 2) Will I make a profit ?
- 3) How quick can I sell it ?
- 4) How fast will I have to pay my vendor for it ?



Alan's Rule of Thumb for buying inventory

“ 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. ”

Step 1 - Calculate your G.P. %

Selling Price	\$ 800	100%
Cost of Goods Sold	<u>600</u>	75%
Gross Profit	<u><u>200</u></u>	25%

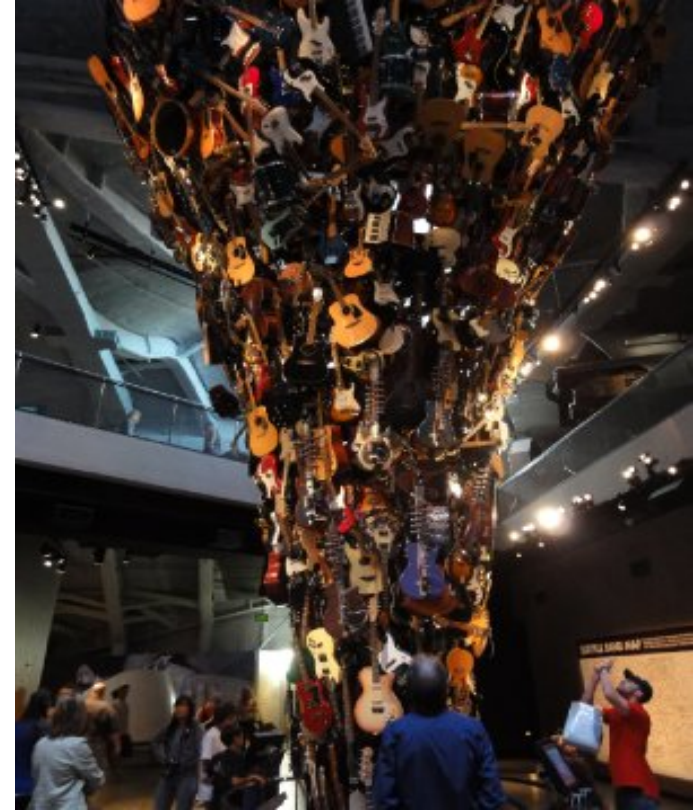
Step 2 - Calculate the Days to Sell

Number of days in the year	360
(x) Gross Profit % (above)	<u>25%</u>
# of Days to Sell the Product	<u><u>90</u></u>

Step 3 - Now Make the Decision

If you can sell it in **90** days or less, **BUY IT**
 If you can't or are not sure, **DON'T BUY IT**

- **Gross Profit**
- **Inventory Turns**
- **Gross Margin Return on Investment (GMROI)**



Sales	\$ 1,000,000	100%
Cost goods sold (<u>600,000)</u>	<u>60%</u>
Gross Profit	<u><u>\$ 400,000</u></u>	<u><u>40%</u></u>

Cost of goods sold	(\$ 600,000)
<hr/>	
Avg Inventory cost on hand	(\$ 300,000)

= Inventory turned “2 Times”

...or, it took you 6 months to turn over
your entire inventory (in \$\$\$)

Gross Profit (\$ 400,000)

Avg Inventory cost
on hand (\$ 300,000)

= GMROI of \$1.33

...or, you earned \$1.33 for every \$1.00
you invested in inventory

Most retailing experts
(across industries) suggest
a GMROI target of

\$1.50 or better

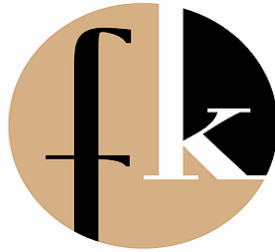
The Secret Weapon: a “1-Page Solution” to Managing Your Inventory

BIG AL'S MUSIC

INVENTORY ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>A</u>	<u>B</u>	<u>(A - B) C</u>	<u>(C / A) D</u>	<u>E</u>	<u>(B / E) F</u>	<u>(A/TotalA) G</u>	<u>(E/TotalE) H</u>	<u>(C / E) I</u>
	<u>Sales</u>	<u>Cost of Goods Sold</u>	<u>Gross Profit (\$)</u>	<u>Gross Profit (%)</u>	<u>Average Inventory</u>	<u>Inv Turns</u>	<u>Sales as % of Tot Sales</u>	<u>Inventory as % of Tot Inv.</u>	<u>(GMROI) Gr Margin ret on inv</u>
Guitars - electric	\$ 300,000	\$ 235,000	\$ 65,000	22%	\$ 330,000	0.71	12%	21%	\$ 0.20
Guitars - acoustic	125,000	85,000	40,000	32%	40,000	2.13	5%	3%	\$ 1.00
Basses	100,000	67,000	33,000	33%	40,000	1.68	4%	3%	\$ 0.83
Amps	150,000	110,000	40,000	27%	105,000	1.05	6%	7%	\$ 0.38
Drums and percussion	150,000	115,000	35,000	23%	110,000	1.05	6%	7%	\$ 0.32
Keyboards	300,000	213,000	87,000	29%	190,000	1.12	12%	12%	\$ 0.46
Pianos and organs	425,000	240,000	185,000	44%	440,000	0.55	17%	28%	\$ 0.42
Band & orchestra instruments	100,000	75,000	25,000	25%	55,000	1.36	4%	4%	\$ 0.45
Recording equipment	275,000	200,000	75,000	27%	105,000	1.90	11%	7%	\$ 0.71
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	55,000	20,000	27%	25,000	2.20	3%	2%	\$ 0.80
Print Music	110,000	65,000	45,000	41%	55,000	1.18	4%	4%	\$ 0.82
Accessories	<u>130,000</u>	<u>70,000</u>	<u>60,000</u>	<u>46%</u>	<u>30,000</u>	<u>2.33</u>	<u>5%</u>	<u>2%</u>	<u>\$ 2.00</u>
TOTALS	\$ 2,465,000	\$ 1,660,000	\$ 805,000	32.66%	\$ 1,550,000	1.07			\$ 0.52



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and company pc

**Contact [Jen Lowe](#) after this seminar
to set up a meeting time**



Any Questions?