



## The "Key" To Buying Music Product Inventory

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When buying inventory, which of these questions are most important ? 

- 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 !!!



"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 fast will I have to pay my vendor 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%
Cost (incl freight)	( 600)	60%
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<b>Gross Profit</b>	<b>\$ 400</b>	<b>40%</b>
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### (3) How Quick Can I Sell It?



- ▶ The correct answer: **as soon as possible**. So think twice about buying any goods that are going to take longer than 4 to 6 months to sell
- ▶ Remember the dozen or more costs associated with carrying inventory:
  - ▶ the product cost, freight-in, insurance, rent & storage, inter-store transportation, setup, accounting, tracking & data entry, flooring & financing, property taxes, security, breakage & repair, security & shrinkage, phys.inv. +1 more
- ▶ **\$100 = \$130 one year later!**

### (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”  
for buying inventory

## 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



<b>STEP 1 - CALCULATE YOUR G.P. %</b>		
Selling price	\$ 800	100%
Cost of good sold	600	75%
<b>GROSS PROFIT</b>	<b>\$ 200</b>	<b>25%</b>
<b>STEP 2 - CALCULATE THE DAYS TO SELL</b>		
No. of days in the year		360
x Gross Profit Percent (%) per above		25%
<b># OF DAYS TO SELL THE PRODUCT</b>		<b>90</b>
<b>STEP 3 - NOW MAKE THE DECISION:</b>		
If you can sell it in <b>90 days or less, BUY IT !</b>		
If you can't or aren't sure, <b>DON'T BUY IT !!</b>		