ManagementONE®

5 CRITICAL MISTAKES TO AVOID WHEN MANAGING YOUR INVENTORY

The first 10 weeks of the year are packed with trade shows and other inventory-buying events. Heading into ANY season without a strategic plan of action could be disastrous to your bottom line. The time is NOW to create a budget that will help drive the business forward.

At Management One, we're able to tap into collective trends within our client base to distill proven strategies for success and we're sharing them with you here!

Let's break down the 5 critical mistakes retailers make when managing their inventory and how to correct them moving into 2023.

GET YOUR
INVENTORY FLOW RIGHT

STOP FRONT-LOADING YOUR MERCHANDISE

50% of sales can come from inventory arriving and sold within the same month.

Optimum inventory turnover increases customer visitation which increases sales.

The salesfloor reality is that salespeople want to show and sell what just arrived.

Psychologists tell us that when the customer sees something new, they see it as a potential reward.

Retail should be a voyage of discovery.Your selling floor should always show something new and unexpected, with new goods at least monthly if not weekly.

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GET YOUR MARKDOWNS IN ORDER

STOP VALUING MARGIN OVER CASH

When you’re flowing in fresh goods frequently, you also need to make sure they flow out. Markdowns are an important tool to keep inventory moving and generate cash.

Your first markdown is your cheapest one, but only if it works. Offering savings of 25% or more should be your starting point.

Don’t give your business a “sale” image. Be targeted in your markdowns, and run promos that will move markdown merchandise fast.

Merchandise has a short shelf life. 90% of sales come from inventory less than 10 weeks old. Old merchandise needs to be marked down and moved out. For example, apparel retailers should start seriously reviewing goods that are more than 8-10 weeks old.

Responding quickly to slow sellers will significantly improve your bottom line and your cash flow.

INCREASE YOUR IMU TO KEEP PACE WITH INFLATION

STOP THINKING YOU CAN'T INCREASE YOUR INITIAL MARKUP

Consumers rarely know what something should cost. Your pricing strategy can influence your customer's spending habits and increase your margins.

Which products in your store are more amenable to price increases?

Did you know prices ending in 9 are so effective they can often outsell even lower prices for the exact same products?

Stop using static formulas to determine the optimal markup % for your business.

Research has shown consumers think retailers make 80% IMU. It's OK for them to be correct sometimes: price on the value the customer sees, not on your cost.

HIT THE NEXT TRADE SHOW ARMED WITH A PLAN & STRATEGY

STOP WINGING IT WITH PURCHASING

Accurately matching stock to customer demand in EACH category will increase profits across the entire business.

When followed correctly, an open-to-buy plan increases margins, profits, and cash-flow, revealing how much money is available for reinvestment.

Carrying too many vendors per category can lead to overbuying . How are you measuring vendor performance?

With less cash tied up in stale inventory, you will have the agility to follow new opportunities.

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UNDERSTAND THE IMPACT OF YOUR RETAIL DATA

STOP LOOKING AT THE WRONG METRICS

What you don't know … CAN hurt you!

The cost of goods sold is the MOST misleading metric in retail. Are you focusing on the cost of goods purchased?

Stop using last year's data to predict performance this year.

Understanding "cash margin" is more important than "gross margin".

Turn, sell-thru, stock-to-sales ratio, IMU, cash margin

To receive a copy of this presentation or learn more about our process, please scan:

LET'S GET STARTED

TAKE CONTROL OF YOUR BUSINESS

With a dedicated retail expert in your corner providing actionable insights and ongoing consultative planning, you'll never look at your business the same again!

It all starts with a conversation about your unique business goals. Contact us today and let Management One take you to the next level of retail.

Dane Cohen - *Director of Sales*
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BOOK A CALL

ZARA

AVG. CUSTOMER VISIT
TO ZARA PER YEAR:

AVG. CUSTOMER VISIT
TO BOUTIQUE PER YEAR:

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ZARA

AVG. CUSTOMER VISIT
TO ZARA PER YEAR: **17**

AVG. CUSTOMER VISIT
TO BOUTIQUE PER YEAR:

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ZARA

AVG. CUSTOMER VISIT TO ZARA PER YEAR: **17**

AVG. CUSTOMER VISIT TO BOUTIQUE PER YEAR: **3**

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- No Reorders
- No Recuts
- 6-Week Shelf Life
- Constantly Remerchandising

STEERING CLEAR OF COST-BASE PRICING

Wholesale Cost
$25

Retail Cost
?

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60 inches

- **60 inches**
- **New Model**

- 60 inches
- New Model
- Quantum LED

- 60 inches
- New Model
- Quantum LED
- Dolby Vision

- 60 inches
- New Model
- Quantum LED
- Dolby Vision
- 4K HD

- 60 inches
- New Model
- Quantum LED
- Dolby Vision
- 4K HD
- Smart TV

- 60 inches
- New Model
- Quantum LED
- Dolby Vision
- 4K HD
- Smart TV

PRICE

???????????

ManagementONE

- 60 inches
- New Model
- Quantum LED
- Dolby Vision
- 4K HD
- Smart TV

PRICE

$399 - $1299

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AVERAGE ORDER VALUE

UNITS PER TRANSACTION

CUSTOMER TRAFFIC

CONVERSION RATE

SALES BY CATEGORY

REVIEW & RESPOND