

## Is your Inventory Overweight?

Make no mistake; the classic signs of failing financial health are often just as clear to see as failing physical health – and the steps to preventing it can often be quite similar.

Taking care of a jewelry store is much like taking care of your human body and there are similarities between the important parts of your anatomy and the key parts of your store. You, as an owner, are like the brain. You are responsible for organizing and co-coordinating all active functions of the business. Your sales and marketing (including your staff) are like the heart – they have the job of making the money circulate in the same manner that your heart helps your blood through your system. And your inventory is like your blood vessels – the means by which they money can be circulated. If you fail to take good care of your business the first thing to suffer is your inventory. It becomes clogged and full of fatty deposits (read aged inventory). The money circulation slows or even stops in some areas and if not dealt with properly the entire system can grind to a halt. In the same way that time needs to be taken to exercise you must take time to take care of your inventory – by sticking to a strict diet of what you take in and how you purge those fatty aged inventory deposits that will clog your inventory report and can slow you down. Obesity is a killer of people and obesity in your inventory can be a killer for your stores performance.

“Sadly in the US, inventory obesity is a common problem for most stores. The average US store is carrying twice the inventory level they need to perform. How do you think an athlete would perform when they are carrying twice the weight they should?”

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In the same way that your body needs to burn off the energy it gets from the food it eats, your store needs to “burn” its inventory at the same rate by achieving sales. To accumulate inventory that doesn’t get sold is the same as eating more than you exercise. You get fat, and so does your store. Pretty soon that fat builds up and puts pressure on your system and that’s when the health and cashflow can fail. Inventory levels were continuing to climb during the financial crisis. To make matter worse the stock turn of most of these stores was way too low in the first place. Low stock turn to a store is like high blood pressure to a heart patient. You don’t want to go there!

Much of this inventory is poor inventory – the wrong items purchased at the wrong times. The average US jeweler carries less than 9% of fast selling items – that’s items that sell in less than six months. A further 19% is new inventory – these are items that have an opportunity to become fast sellers, and a large percentage of these will become aged inventory. This means there is only 28% of the inventory of the average jeweler that customers are interested in; the remaining 72% is aged. This would be like eating a nice healthy breakfast of fruit and nuts then spending the rest of the day snacking on fatty foods high in sugar. Do you think this will help your heart?

So how do you solve it? In the same way that a dietician and a doctor can measure your body and recommend the right foods to maintain your health there is expert advice available on how your inventory level compares to the best performing stores and what inventory is selling well elsewhere that would work for you. Take the time to seek expert advice from others and don’t reinvent the wheel. If an item sells well for another store it will probably sell well for you. If other stores are achieving good stock turns then you can to. Like exercise it just takes a commitment and the rewards will come in a leaner fitter business

**If you would like to compare the state of your inventory visit our booth at the JCK Show this weekend and we will complete a business health check FREE OF CHARGE for you. This “obesity test” will let you know where your inventory level sits relative to sales and what action needs to be taken to remedy it. But hurry, this offer is limited to the first 50 stores to respond.**

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