
5 Costly Inventory Mistakes

(and how you can avoid them)



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Discover the Inventory Secrets of Successful Retailers

When you set out on your dream voyage to own your own retail store your dream may have looked like this.

On Day One, you throw your doors open wide and the thrill is almost electric. Your well-chosen, well-presented, quality merchandise is a breath of fresh air compared to your competition, and you know it. Positive reactions from your first few customers suggest that, with a little patience, you just might make it. Lo and behold, before long, you do. Your store and your friendly, helpful staff are discovered, and repeat customers begin to feel like friends. Your vision, creativity and hard work have succeeded!

Are you there yet? If you are, congratulations on achieving your dream. However, if you're like most independent retailers, you're probably somewhere between the excitement of Day One and where you'd like to be. Your path to business success is full of challenges that you address every day as a store owner and manager. And, as you know, some of those challenges become more formidable as your business grows. This guide shows how Point of Sale software – particularly QuickBooks Point of Sale – can help you meet those challenges more easily, more effectively and more profitably.

Mistake #1: **Stock too much of one item and your money is tied up.**

This is the challenge you face every day. With so much money invested in your inventory, it's essential that you stay on top of it. That means that your inventory figures need to be constantly updated.

Relying on a cash register or paper-based transactions does not automatically update your inventory. Retailing requires that inventory tracking occurs in real-time and is effortless and automatic. As you ring up sales, inventory data should be recorded and stored. You always have access to accurate, real-time information about what's selling, what's not, what you have on hand and what you need to reorder. This new level of insight can lead to smarter decisions that help eliminate unnecessary inventory expenses by eliminating guesswork. Smarter decisions boost profits.

Without automatic updating of inventory, you risk making potentially costly decisions on the basis of wrong information.

Equally important, the time you spend juggling inventory figures, deciding what to reorder, when to reorder, what to discount, and so on, is valuable. When you reduce the time you spend on inventory, you can devote yourself to other aspects of your business, or simply have more time to enjoy life.

So, what do other retailers do to ease the burden on their time and their money?

Kermit Carpenter, owner of Key West Key Lime Shop purchased QuickBooks Point of Sale and never looked back. "I can now track items more closely and with various price points, including wholesale and employee discounts. With anytime access to this data, it also helps to identify which categories of merchandise are stocked or what



Did You Know?

According to the National Retail Federation, U.S. retailers lose \$224 billion due to excess inventory and \$45 billion from not having inventory in stock.

is being returned, so that we can adjust our inventory accordingly.”

Imagine if you had all this information at your fingertips. You’d no longer need to spend hours in your back room gathering inventory counts and figuring out when to reorder.

Mistake #2: **Run out of stock and you’ve missed an opportunity to make a sale.**

You’ve succeeded, at some expense and effort, in bringing in a new customer. She asks your sales associate for the cute summer top you advertised, only to be told your store doesn’t have her size. She leaves, never to return. Few things hurt sales, or frustrate customers, more than failing to stock an item consumers want.

A good inventory management system should enable you to always know what inventory you have on hand, without conducting a physical count. It should use a bar code scanner to scan items when ringing up sales or entering new inventory – automatically adjusting inventory totals as you sell items or purchase stock.

Your inventory management system should also be able to grow with your business. If you have multiple store locations, it should be able to check stock across stores. If you reach a point where you need to assign serial numbers to items, display photos of inventory items, print shipping labels, or perform any of a dozen other tasks, you should be able to upgrade easily to have those capabilities.

QuickBooks POS offers all of these features and more.

Mistake #3: **Inventory Decision Making By The Seat of Your Pants.**

Imagine being able to spot trends in sales, profits, liquidity and assets as well as optimal operating hours and profit margins. Oh, and of course track inventory with easy-to-access data so you can act quickly on new products or eliminate poorly performing products.

To a successful retailer, it’s part of the daily routine to run a report at the end of every day. Meet QuickBooks Point of Sale customer Ed Neal, owner and operator of Computer Emporium in Bushnell, FL. Neal believes that automated inventory management has allowed him “to make smarter decisions.” He explains, “Not only can I determine buying trends, but I can trim my overhead and improve my cash flow, too.” With virtually hundreds of items to account for, QuickBooks Point of Sale takes the challenge out of inventory management. “It’s like having a purchasing team in a bottle,” he adds.

Now Neal can track his best-selling products, his top-performing sales people, and even his most frequent customers, which he could never find time to do before.

Mistake #4: **Ignoring Shrinkage and Failing To Secure Against Theft.**

Shrinkage is all merchandise that is taken out of stock without being paid for. Studies consistently show more people will steal if they think they can get away with it. You might not even realize that theft, whether by employee or customer, is actually going on in your store.



Don’t become an industry statistic!

Research shows that for many retailers overstocks can be as high as 40 % of a store’s inventory and lost sales from out-of-stock items is estimated at 10 % of revenue.

The more items you have in your store, the more difficult it is to track all of your stock on hand.

A second cause of inventory shrinkage is not talked about as much, but it is an important component: unrecorded dollar fluctuations and other bookkeeping errors. We are talking about unrecorded markdowns, transfers, giveaways, damaged goods, misreading or misrecording sales and/or receipt invoices and similar bookkeeping sloppiness. Although these may not represent an actual loss of goods, both can be very costly components in the discrepancy between book inventory and physical inventory. Unrecorded dollar fluctuations and bookkeeping errors distort your financial statement and negatively affect planning decisions.

Scott Bowler of Predator Paintball recently converted to QuickBooks Point of Sale to manage his inventory. “All the pricing information is in the system, so there’s never any error in ringing a sale” says Bowler. Now he has the ability to audit and review transactions, monitor stock levels, etc., which helps him to catch any security issues affecting his net profits.

QuickBooks Point of Sale gives you the ability to audit and review transactions, which helps you to catch any security issues affecting your profits. Additionally, it helps you to track what you have ordered and received from your vendors. Because you can readily compare the two, you can catch vendor errors and other issues that impact costs and net profits.

Mistake #5: **Not making lemonade when you have lemons!**

Pricing items correctly and knowing when to offer discounts is key to successfully managing and growing your business. You should be able to identify the most “saleable” items, which are typically your most price sensitive (generally the 20% of your inventory that moves the fastest), and price them competitively.

You can then recognize the “slow movers” from the remaining bulk of your inventory, which are typically your most non-price sensitive items, and raise the margins. By selling the “slow movers” early in the season, when items are more saleable at higher prices, you will minimize clearance markdowns at the end-of season.

Reporting is critical to understanding and managing your inventory. Carpenter calls the QuickBooks Point of Sale reports “phenomenal,” because they allow him to keep track of critical information that he was never able to find time for in the past.

QuickBooks POS gives you detailed reports on how well your inventory is selling, so that you can customize your product pricing. It’s an important advantage, because when you’re automatically calculating profit margins for each item, you can easily decide whether to raise or lower a price.



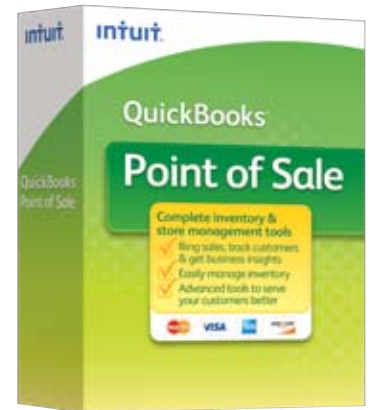
Did You Know?

Ernst & Young’s Study of Retail Loss Prevention reveals that the U.S. retail industry loses a staggering \$46 billion annually to inventory shrinkage, and that employee theft delivers the heaviest blow in terms of dollars lost. Industry studies indicate that average retail store owners lose 8-12% due to shrinkage.

Many smaller retailers find that, as their businesses grow, they wind up spending too much time dealing with inventory rather than customers. It's a familiar story — hours counting inventory, sticky notes reminding you to reorder when you're getting low, phone calls to your suppliers to make sure they can deliver on time. It's all too easy to lose track of the details.

There are real risks if you don't get it right. You could run out of your bestsellers, forcing your customers to shop elsewhere. You could overstock the slow-movers, which costs you money.

Perhaps the biggest risk of all is that you can easily lose the sheer joy of being in business for yourself. All too often, the behind-the-scenes stuff starts to get in the way of doing what you love — and that's why you opened your store in the first place. That's where QuickBooks Point of Sale really pays off. It'll help track your inventory incredibly well, improve your customer service, increase your profits, and a lot more. But most of all, it'll put you back in front of your customers and give you back the joy of connecting them to the products you provide.



To learn more now about what QuickBooks POS can do for your business, please call 1.877.556.4345.