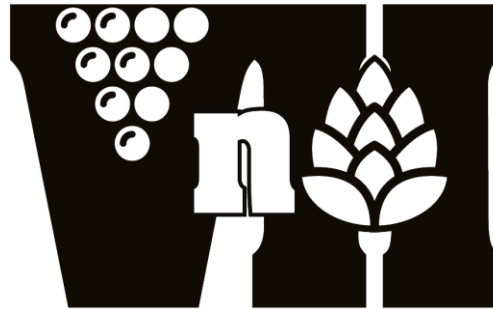




Inventory Management

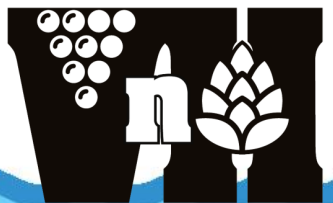
For the Homebrew Retailer





Who we are

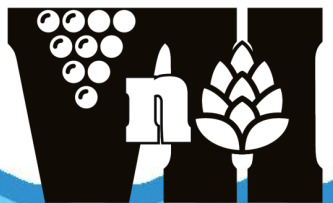
- Owners of The Vine n Hop Shop
- Opened in May of 2015
- Located in Brunswick, Ohio a suburb Cleveland with a population of approx. 40,000 with a city north and south of us also with roughly 40,000 each
- No previous Retail Management
- 2 homebrewers & winemakers with the closest shop being 45 minutes away
- Determined a need and sought to fill it.
- Sales have consistently increased 40% every year for us and as we grew Inventory management was a struggle.





Why is Inventory Management so Important?

- Your inventory is the lifeblood of your business. Therefore, you need to manage your inventory like your business depends on it - because it does.
- Your cash may be tied up in products that are sitting on your sales floor
- Customers may be frustrated with your store if what they want is not in stock
- You may be wasting staff resources by constantly receiving shipments, tagging and putting them away.

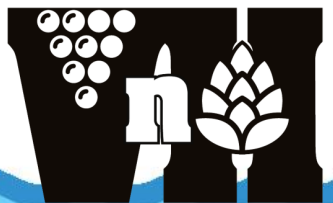




What is Open to Buy (OTB)?

GOAL of OTB: MAXIMUM MONEY, IDEAL INVENTORY

The goal of Open to Buy is to get your store selling the maximum amount of merchandise while carrying no more, and no less, than the ideal amount of inventory.





Who can use Open to Buy?

All Retail Stores

\$50,000-\$250,000 :You can do it yourself – good for just starting out.

\$250,000 - \$500,000: May consider using a software myotbplan.com

over \$500,000: Hire a professional inventory planner (Management One)





The Steps

Before you Start OTB

- a) Get a good POS
- b) Determine your Specialty
- c) Build a Department Structure
- d) Take a Full Inventory

Planning your OTB

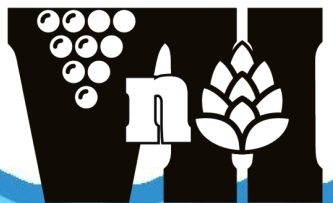
- 1. Build a sales plan - for the year!
- 2. Plan your markdowns
- 3. Plan your turns
- 4. Plan your Monthly Stock needs
- 5. Plan your OTB Strategy
- 6. Adapt Monthly





Get a Good Point of Sale

If you are using a cash register and paper, Open to Buy may be difficult and we suggest you consider upgrading to a POS that can assist you with daily operations.





Your POS should give reports on:

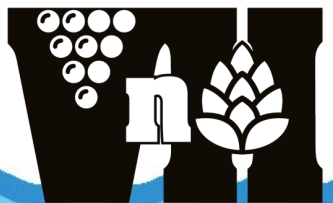
- Items sold
- Inventory levels
- Employees (and measurements of their selling behaviors)
- Customers (and detailed tracking of their buying behaviors)
- Prices
- Markdowns
- Merchandise on order
- Merchandise received
- Profit margins
- Turnover





What is Your Specialty?

Take a hard look at all the reports and the merchandise in your shop.





Ask yourself

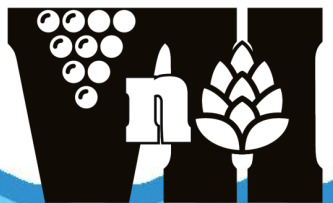
- Is my cash tied up on the shelves?
- Is anything collecting dust?
- Has anything been sitting here longer than 3 months?
- Do I really need 45 of these?
- This stuff is sitting on your shelves taking up cash.





Your Customers are Talking

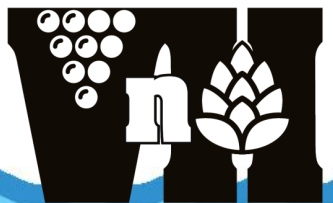
Are You Listening?





What **ARE** They Buying?

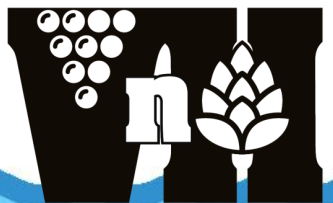
- Consumables?
- Beginner Equipment?
- High end Equipment?





What ARE They Buying?

- Value in small town homebrew
- There is a large market that is completely untapped and it is imperative that we catch it or homebrew will die. Quit trying to compete with big online homebrew shops that have EVERYTHING concentrate on bringing education and value to your local community and increasing your market share in your local area.
- Consider a catalog for high end equipment that customers can look through in the store.





Every Month Run these Reports:

- Top 50 items sold by retail sales
- Top 50 items sold by quantity
- Top 50 items sold by profit

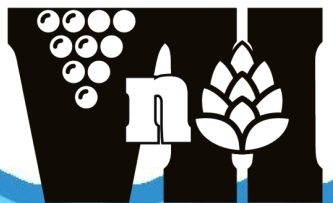
These reports should also include the quantity you have on hand to assist with purchasing



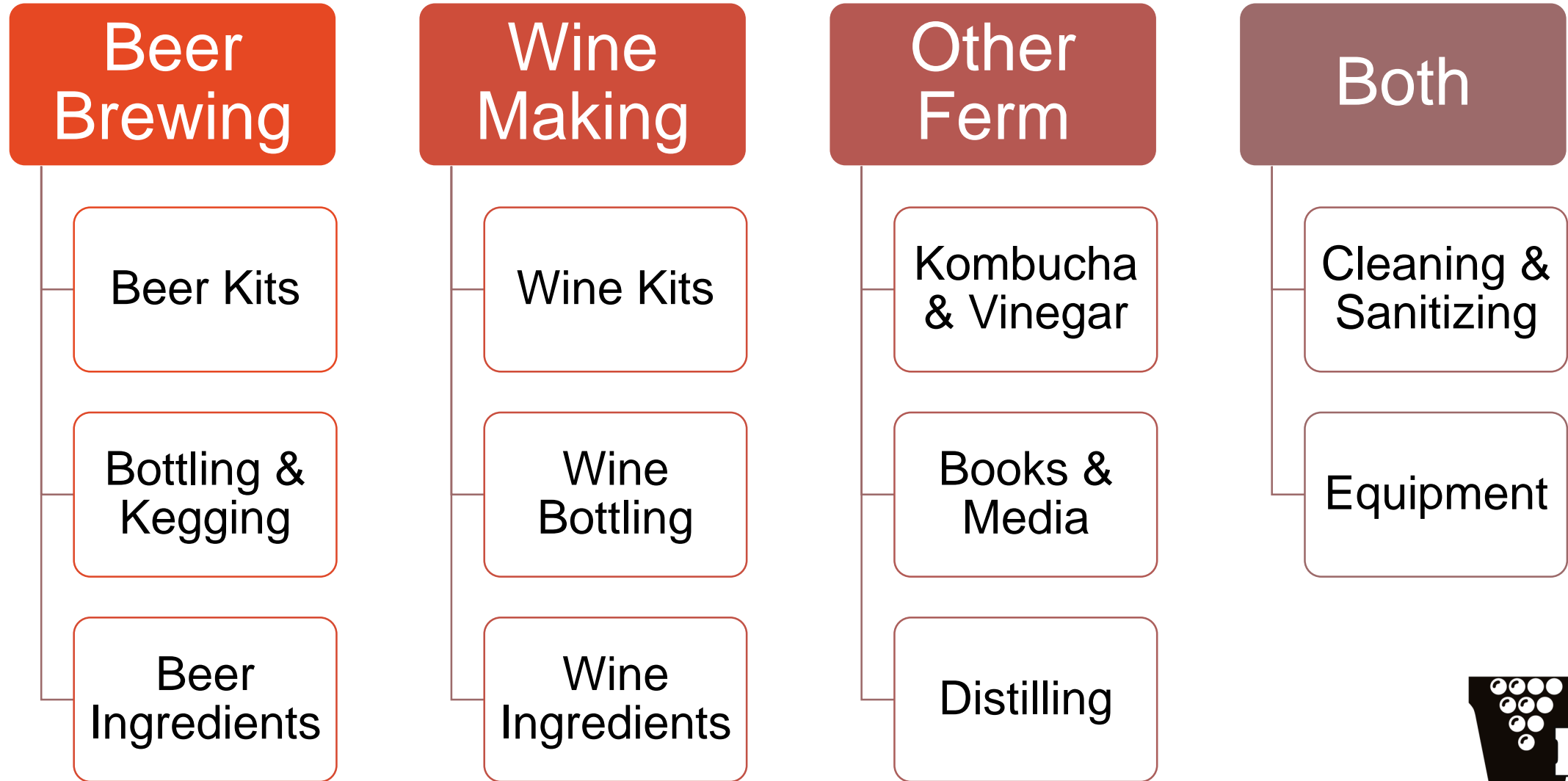


Build a Department Structure

It will give you valuable, pertinent information about your business – primarily about what your customer is buying – and is a critical part of good inventory management.



How Many Department Should You Have?



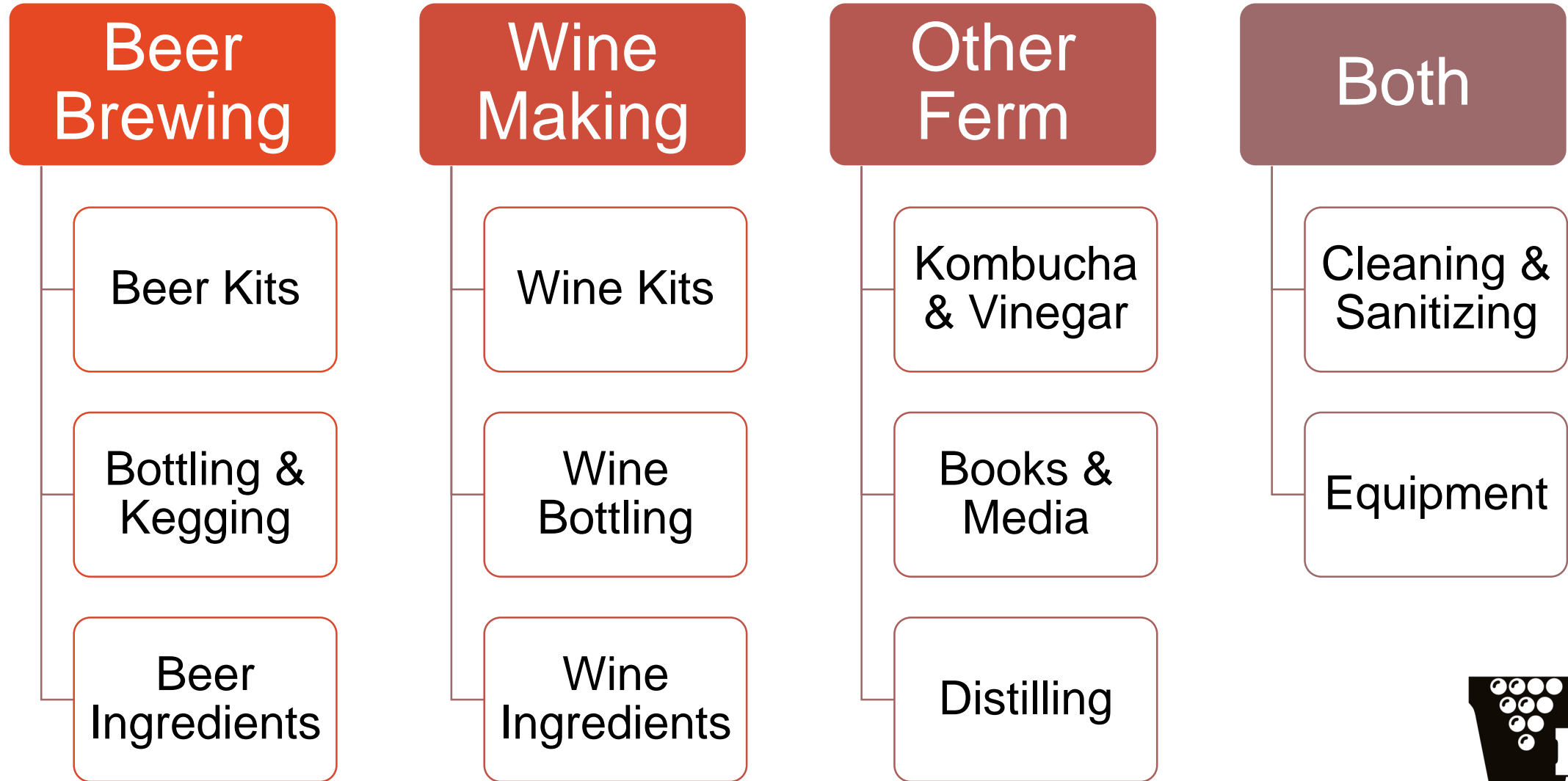


3 Levels

- I. Department
 - I. Category - Class
 - I. Sub Category – Sub Class



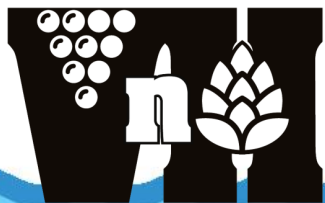
How Many Department Should You Have?





Side note: Once you have your categories, think about merchandising and store layout

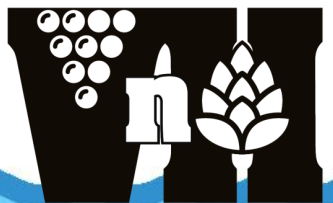
- Once you have everything in a Dept or Category consider laying out your store in the same manner.
- The both department is where we place items like pails, carboys, cleaning supplies and is right in the center of our store. They are used for beer, wine, mead, & cider





Take a Full Inventory

The final step before building your Open to Buy is to take a complete and accurate inventory of your store.





Open to Buy The 6 Steps

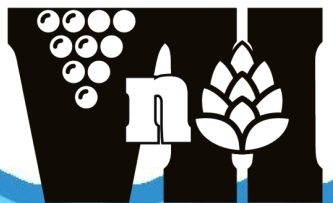
1. Build a sales plan - for the year!
2. Plan your markdowns
3. Plan your turns
4. Plan your Monthly Stock needs
5. Plan your OTB Strategy
6. Adjust Monthly





Step 1: Plan your Annual Sales

This is probably the most important step in the process since most of the other elements in the plan are keyed off the sales plan.





Step 1: Retail Notation

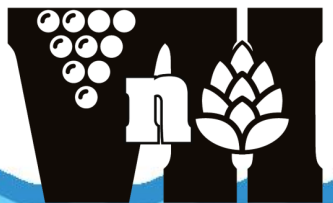
Retail Notation – Retail notation is a commonly used “shortcut” when writing down sales and stock figures.

This is the standard practice of only rounding numbers to the thousands place and using only one decimal point, the hundreds place.

\$24,632.00 is written as \$24.6

\$149,982.00 is written as \$150.0

\$2,395.00 is written as \$2.4

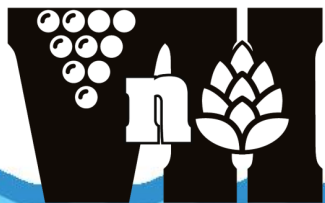




Step 1: Plan your Annual Sales

Projected Sales by Month by Department

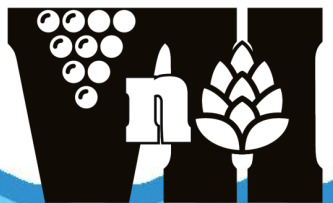
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Avg.	TY Sales
WHOLE STORE	16.0	16.0	20.0	26.0	26.0	20.0	18.0	21.0	21.0	22.0	21.0	23.0	20.8	250.0
Beer	10.0	10.0	15.0	16.0	14.0	12.0	12.0	14.0	15.0	16.0	12.0	14.0	13.3	160.0
Wine	6.0	6.0	5.0	10.0	12.0	8.0	6.0	7.0	6.0	6.0	9.0	9.0	7.5	90.0





Step 2: Plan your Markdowns

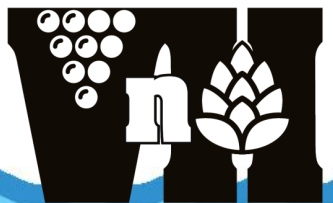
MARKDOWN is the dollar difference between the retail price at which you initially own a piece of merchandise and the price at which the piece of merchandise leaves your store.





Step 2: Plan your Markdowns

Markdowns
DECREASE THE AMOUNT
Of inventory you have on hand

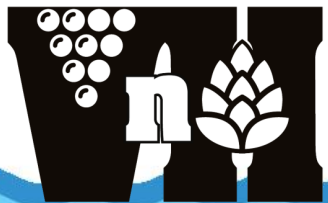




Step 2: Plan your Markdowns

Markdowns

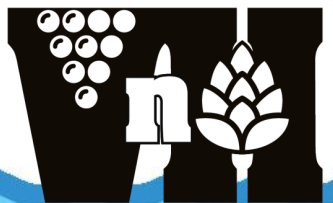
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
STORE	0.7	0.9	1.0	0.9	0.7	0.8	0.6	0.9	1.0	0.9	1.1	0.5	10.0
Beer	0.4	0.5	0.6	0.4	0.5	0.6	0.4	0.5	0.5	0.5	0.6	0.2	5.7
Wine	0.3	0.4	0.4	0.5	0.2	0.2	0.2	0.4	0.5	0.4	0.5	0.3	4.3





Step 3: Plan your Turns & Stock

TURN: Your Annual Inventory Turnover

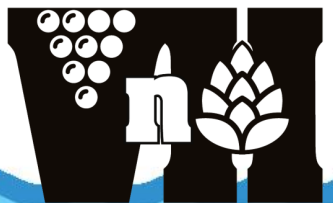




Step 3: Plan your Turns & Stock

If a store has yearly sales of \$500 and its average inventory value is \$250 it will sell through that inventory 2x a year, thus a TURN of 2.0 (once every 6 months)

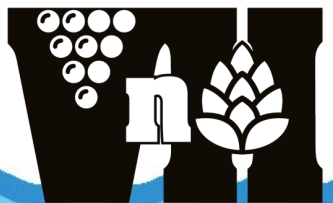
If a store has yearly sales of \$500 and its average inventory value is \$100 it will sell through that inventory 5x a year, thus a TURN of 5.0 (once every 2.4 months)





Step 3: Plan your Turns & Stock

You need to determine what average stock levels and turnover rates are appropriate for your business. Turns that are too slow will give you stock levels that are too high – you'll face high markdowns and low cash flow. If your turns are too fast, the planned stock levels will be too low – you'll miss sales and give poor customer service due to out-of-stock situations.

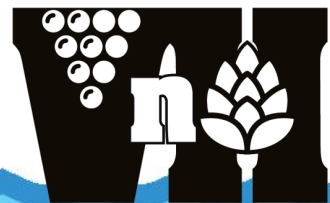




Step 3: Plan your Turns & Stock

Department Group	Planned Annual Sales	Planned Turn	Planned Average Stock
Beer	\$160.0	3.0	\$53.3
Wine	\$90.0	3.0	\$30.0
Total	\$250.0	3.0	\$83.3

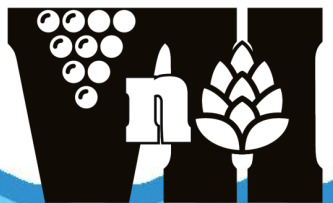
Annual Sales ÷ TURN = Average Stock





Step 4: Plan your Monthly Stocks

Beginning of Month Inventory (BOM): A “snapshot” RETAIL dollar number that tells you exactly how much inventory you have on hand at the moment the store opens on the first day of the month.

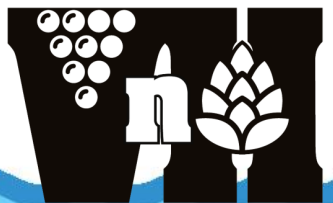




Step 4: Plan your Monthly Stocks

End of Month Inventory (EOM) A “snapshot” dollar number that tells you exactly how much inventory you have on hand at the moment the store closes on the last day of the month.

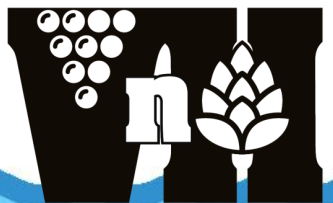
****This is the same number as the BOM for the next month





Step 4: Plan your Monthly Stocks

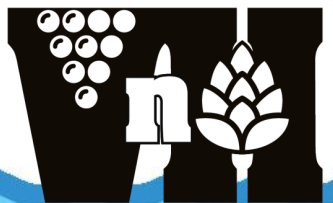
ROLLING INVENTORY: it is a method for planning to receive merchandise in advance of your sales based on your planned turn rate. Using this method, you'll have a smooth flow of merchandise coming into the store based on how much you are planning to sell in the upcoming months rather than large spikes in inventory purchases that are difficult to pay for out of cash flow.





Step 4: Plan your Monthly Stocks

Using your sales plan for the year (Step 1) and your planned turnover rates (Step 3), you will calculate an ideal stock level for the beginning of each month.





Step 4: Plan your Monthly Stocks

Projected Sales as Determined in Step 1

	IAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Avg.	TY Sales
STORE	16.0	16.0	20.0	26.0	26.0	20.0	18.0	21.0	21.0	22.0	21.0	23.0	20.8	250.0
Beer	10.0	10.0	15.0	16.0	14.0	12.0	12.0	14.0	15.0	16.0	12.0	14.0	13.3	160.0
Wine	6.0	6.0	5.0	10.0	12.0	8.0	6.0	7.0	6.0	6.0	9.0	9.0	7.5	90.0

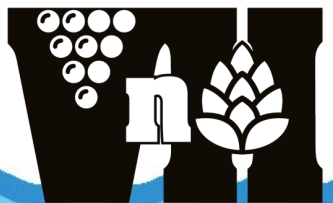
Monthly Stock Levels Needed

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Avg	Turn	TY Sales
STORE	78.0	88.0	92.0	90.0	85.0	80.0	82.0	85.0	87.0	82.0	76.0	75.0	83.3	3.0	250.0
Wine	55.0	55.0	57.0	54.0	52.0	53.0	57.0	57.0	57.0	52.0	46.0	49.0	53.3	3.0	160.0
Beer	33.0	33.0	35.0	36.0	33.0	27.0	25.0	28.0	30.0	30.0	30.0	26.0	30.0	3.0	90.0



Step 5: Calculate your monthly Open to Buy plan

Once you have planned sales, markdowns, and stocks, you can calculate how much merchandise to receive (how much you have “open to buy”) each month.



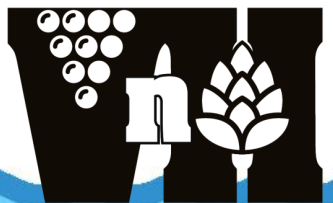


Step 5: Calculate your monthly Open to Buy plan

$$\text{BOM Stock} - \text{Sales} - \text{Markdowns} =$$

Stock on Hand if no merchandise is received.

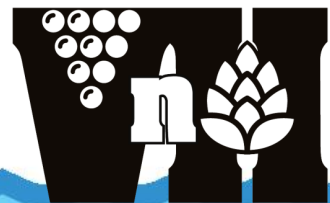
Next, compare the result to your planned end-of-month stock levels. The difference is how much merchandise you should receive during that month – your “open to buy.”





Step 5: Calculate your monthly Open to Buy plan

	JAN. PLAN	JAN. ACT.
BOM Stock \$	78	
Sales	16	
Markdowns	.07	
OTB	26.7	
EOM Stock \$	88	

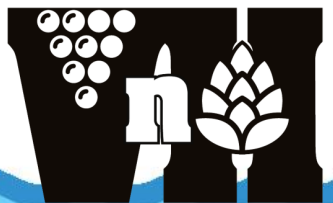




Step 5: Calculate your monthly Open to Buy plan

The calculation works like this:

$$\text{BOM stock} - \text{sales} - \text{markdowns} - \text{EOM stock} = |\text{open to buy}|$$





Open to Buy Worksheet

Whole store

	JAN.	JAN.
	PLAN	ACT.
BOM Stock \$	78	
Sales	16	
Markdowns	0.7	
OTB	26.7	
EOM Stock \$	88	

	FEB.	FEB.
	PLAN	ACT.
BOM Stock \$	88	
Sales	16	
Markdowns	0.9	
OTB	20.9	
EOM Stock \$	92	

	MAR.	MAR.
	PLAN	ACT.
BOM Stock \$	92	
Sales	20	
Markdowns	1	
Receipts	19	
EOM Stock \$	90	

	APR.	APR.
	PLAN	ACT.
BOM Stock \$	90	
Sales	26	
Markdowns	0.9	
OTB	21.9	
EOM Stock \$	85	

	MAY	MAY
	PLAN	ACT.
BOM Stock \$	85	
Sales	26	
Markdowns	0.7	
OTB	21.7	
EOM Stock \$	80	

	JUNE	JUNE
	PLAN	ACT.
BOM Stock \$	80	
Sales	20	
Markdowns	0.8	
OTB	22.8	
EOM Stock \$	82	

	JULY	JULY
	PLAN	ACT.
BOM Stock \$	82	
Sales	18	
Markdowns	0.6	
OTB	21.6	
EOM Stock \$	85	

	AUG.	AUG.
	PLAN	ACT.
BOM Stock \$	85	
Sales	21	
Markdowns	0.9	
OTB	23.9	
EOM Stock \$	87	

	SEPT.	SEPT.
	PLAN	ACT.
BOM Stock \$	87	
Sales	21	
Markdowns	1	
OTB	17	
EOM Stock \$	82	

	OCT.	OCT.
	PLAN	ACT.
BOM Stock \$	82	
Sales	22	
Markdowns	0.9	
OTB	16.9	
EOM Stock \$	76	

	NOV.	NOV.
	PLAN	ACT.
BOM Stock \$	76	
Sales	21	
Markdowns	1.1	
OTB	21.1	
EOM Stock \$	75	

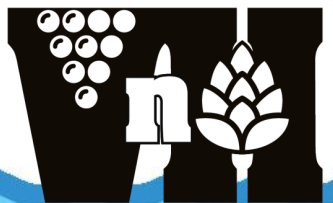
	DEC.	DEC.
	PLAN	ACT.
BOM Stock \$	75	
Sales	23	
Markdowns	0.5	
OTB	26.5	
EOM Stock \$	78	





Step 6: Adjust Monthly

Adjust by comparing the plan to the actual results each month and fill in the **ACTUAL** number at the end of each month and take action to stay at planned stock levels.





ALL DONE!

Clear As Stout Right?!?!

QUESTIONS?

