



wynne business

grow. delight. profit.

Found Money: Inventory Management Basics

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Wynne Business



What is Inventory Management?

- **The practice of planning, directing and controlling inventory so that it contributes to the success of your business**
- **Balancing inventory supply and demand for profitability**



Why do you need it?

- **Exceptional customer service includes providing top-quality products at reasonable prices**
- **Good inventory management:**
 - Improves customer service
 - Increases sales & profits
 - Increases working capital



Goals for Inv Mgmt

- **Maintaining stock levels that satisfy demand but don't tie up money**
- **Increasing inventory turns**
- **Obtaining best possible price**
- **Offering best assortment of products**
- **Having the right products for your clientele**



Selecting Manufacturers

- Philosophy/positioning
- Retail price point
- Packing
- Synergy through spa
- Advertising & Marketing
- Support





Choices?



- **Fit**
- **Effectiveness**
- **Buy-in from staff**
- **You're not a drug store!**



How Many Lines?





How Many Lines?

■ Average Spa, 4-6 tx rooms

- 1 Main Skin line
- 1 Niche Skin line
- 1 Nail line
- 1 Massage
- Assorted Retail

■ Larger Spa, 8-14 tx rooms

- 2 Main Skin Lines
- 1 Niche Skin Line
- 1 Nail line
- 1 Massage
- Assorted Retail



Selecting Distributors

- **User-friendly terms and minimums**
- **Shipping**
- **Geographic location**
- **Support options**
 - **Education, DSC support**



P&L Rev/Cost of Goods - *before*

Total Service Sales	\$ 1,618,523.04	
Total Retail Sales	\$ 404,711.66	
Total Revenues	\$ 2,126,433.11	100
Cost of Goods Sold		
Total Tech Svc Labor	\$ 560,147.53	35%
Supplies Back Bar Total	\$ 144,070.55	9%
COGS Retail	\$ 135,881.26	34%
Product Sales Commissions	\$ 56,659.63	3%
Tech Labor Payroll Taxes	\$ 55,512.65	10%
Merchant Fees	\$ 68,888.91	3%
Total Cost of Sales	\$ 1,021,160.53	48%
Gross Profit	\$ 1,105,272.58	52%



Chart of Accounts

- **Product categories need to match service categories**
- **Separate entry for professional and retail**
- **Should be grouped just like your POS software**



Chart of Accounts - example

- Esthetics Prof
- Massage & Body Prof
- Nails Prof
- Makeup Prof
- Medical Prof
- Hair Prof
- Miscellaneous
- Esthetics Retail
- Massage & Body Ret
- Nails Ret
- Makeup Retail
- Medical Retail
- Hair Retail
- Spa Retail



COGS Back Bar Detail

Supplies - Esthetics	\$	30,573.38	21%
Supplies - Hair	\$	32,355.95	22%
Supplies - Makeup	\$	285.12	0.2%
Supplies - Massage	\$	15,202.85	11%
Supplies - Medical	\$	46,002.11	32%
Supplies - Nail	\$	19,651.14	14%
Supplies Back Bar Total	\$	144,070.55	100%



Purchase Forecasting

- **Determine minimum and maximum supply levels for each product**
- **Consider frequency of ordering**
- **Consider shipping time**
- **Allow some room for error**





Ordering Procedures

- Purchase orders/computer generated
- Ideal day to receive merchandise
- One point person per department
- Consider products that cross departments
 - Gloves, cotton, lotions
- Central location for P.O.'s



Receiving Procedures



- **Delivery location?**
- **Check box contents against packing list**
- **Check packing list against P.O.**
- **Damages**
- **Updating software**
- **Ticketing**



Product Storage

- Professional Supply
- Retail Supply
- Why not mix them?





Performing Physical Inventory

- Monthly
- Last day of the month
- Separate professional and retail counts





Measuring Inventory Turns

$$\text{Inventory Turns} = \frac{\text{Annual Retail COGS}}{\text{Average Inventory}}$$

2010 Prod purchases	\$93,271.	
	<hr/>	= 5.7
2010 Monthly Inv Avg	\$16,350.	



Shrinkage

- **What is it?**
- **What causes it?**
 - Product obsolescence**
 - Deterioration/damage**
 - Theft**
 - Protocols not followed**





Minimizing Shrinkage

- Insure assigned storage
- Limit access
- Carry minimum of product
- Speed of cycle
- Stocking protocols



Controlling Waste

- **Service Protocols**
- **Training**
- **Awareness**
- **Rewards**





Skin Department Analysis

Esthetic Dept Revenue	\$ 547,589.29	
Labor - Esthetic Department	\$ 171,920.13	31%
Supplies - Esthetics	\$ 80,199.98	
Esthetic Dept Gross Profit	\$ 295,469.17	54%
Service Sales - Esthetic	\$ 382,167.29	
Service Labor - Esthetic	\$ 147,106.83	
Back Bar - Esthetics	\$ 30,573.38	
Service Gross Profit - Esthetics	\$ 204,487.07	54%
Retail Sales - Esthetics	\$ 165,422.00	
Retail Commission - Esthetics	\$ 24,813.30	
COGS Retail - Esthetics	\$ 49,626.60	
Retail Gross Profit - Esthetics	\$ 90,982.10	55%



P&L Rev/Cost of Goods - *after*

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Product Sales Commissions	\$ 56,659.63	3%
Tech Labor Payroll Taxes	\$ 55,512.65	10%
Merchant Fees	\$ 68,888.91	3%
Total Cost of Sales	\$ 974,201.36	46%
Gross Profit	\$ 1,152,231.75	54%



Partnering

- **Work with suppliers to plan inventory levels**
 - **Suppliers**
 - **New product or packaging information**
 - **Spas**
 - **Promotion calendar, historical data**



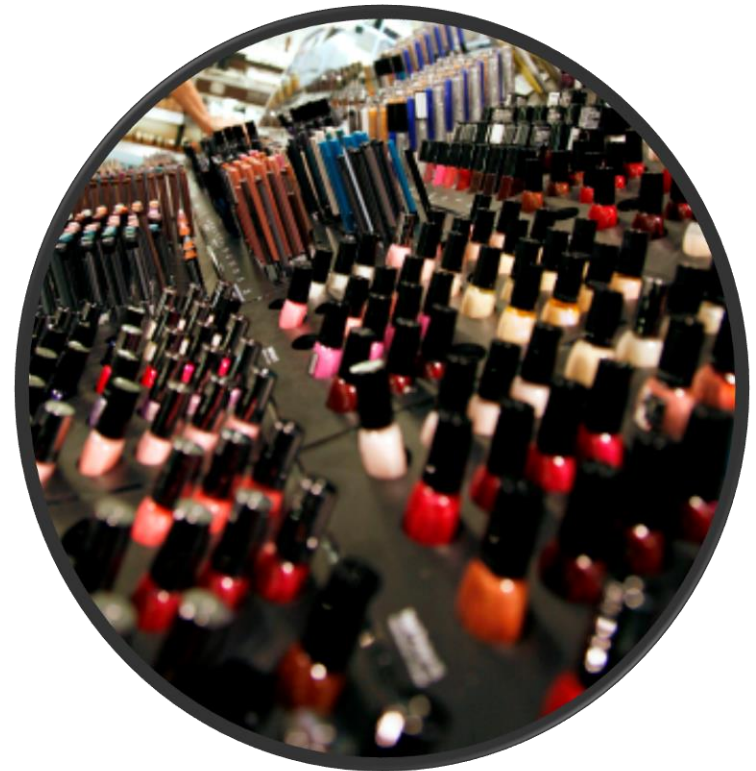
Focal Points

- **Set up a chart of accounts and stick to it**
- **Don't let technicians plan your purchases**
- **Keep professional and retail stock separated**
- **Inculcate product awareness into training and protocols**



Web Resources

- Storefrontbacktalk.com
- Retailwire.com
- Snapretail.com
- SCMR.com
- Supplychainer.com





Inventory Management

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