

> Inventory Management

by Lisa Tamayo

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Looking Above the Treeline

Real hands-on results from Retailers

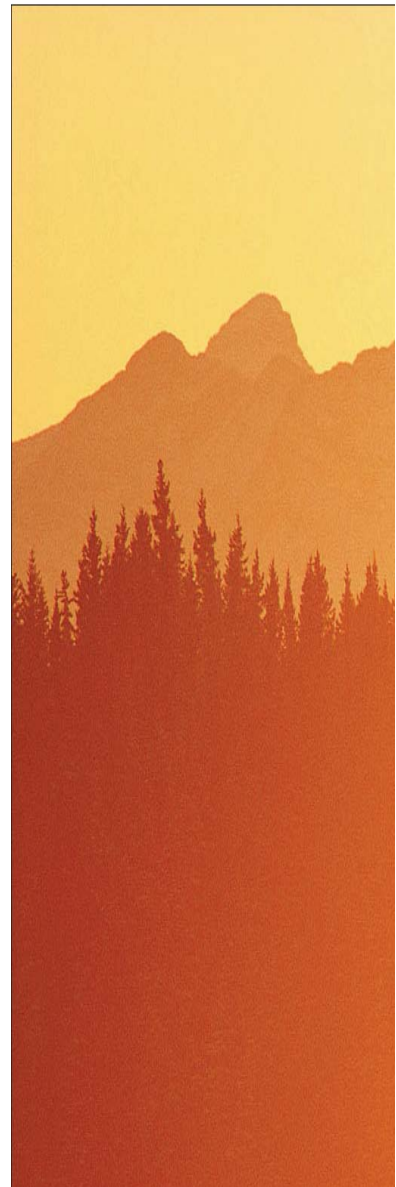
Our competition is pumping up its efforts on in-stock selection on Christian titles," Michael Covington, general manager at The Master's (Clovis, NM), says. As the Christian-retail channel works to differentiate itself from the competition, stores must aim for best practices in inventory management, price perception, customer service, merchandising, staff management, budgeting, and more to increase foot traffic, restore financial health, and increase profits.

Twenty Christian stores tested CBA's Web-based inventory-management tool, Above the Treeline, using the real-time program to analyze store inventory, give input on program improvements, and begin to do business differently because of it.

The user-friendly business-analysis tool, used in conjunction with virtually any POS system, helps retailers make better-informed inventory decisions that can positively impact their stores and sales.

"There are some other competitive things going on that will only help certain sectors, sometimes [incurring] high administrative costs," says Wayne Pence of Living Water Christian Book & Music Center (Kokomo, IN). "One guy [John Rubin] put [Above the Treeline] together, and it didn't demand complex administration," he says.

"Above the Treeline is interested in servicing CBA-retail independents," Pence says. "You have chains accomplishing that within corporations. It's difficult to get hundreds of independents to flow on the same page. [This program] is almost a miracle."



Customer-Driven Data

Customers expect a wide selection when shopping our specialty stores. If they don't find what they need, when they need it, they'll shop somewhere else.

"Just like the name says, Above the Treeline allows you to look at your inventory from a 30,000 ft. level," Covington says, "but drill down to a single title." The program's flexibility gives retailers at-a-glance snapshots of their store's performance as deep or wide as needed.

"We've made huge leaps and bounds in inventory," says Ryan Hackman, manager at The Ark Christian Bookstore (Yuma, AZ). His store tracked inventory by category, but never looked at it as a whole. They were surprised to learn how little of the store's inventory was actually turning. Using Above the Treeline, Hackman saw that 1,807 titles—76.83% of inventory—weren't selling; 1,135 titles hadn't sold in the last 12 months. "We had a huge chunk of inventory we paid for tied up. We could've used those assets to bring in more copies of what's selling," Hackman says. "We're working to reverse that."

They're bringing in titles from the Christian Marketplace Core Inventory Report (see sidebar) to replace the non-selling titles.

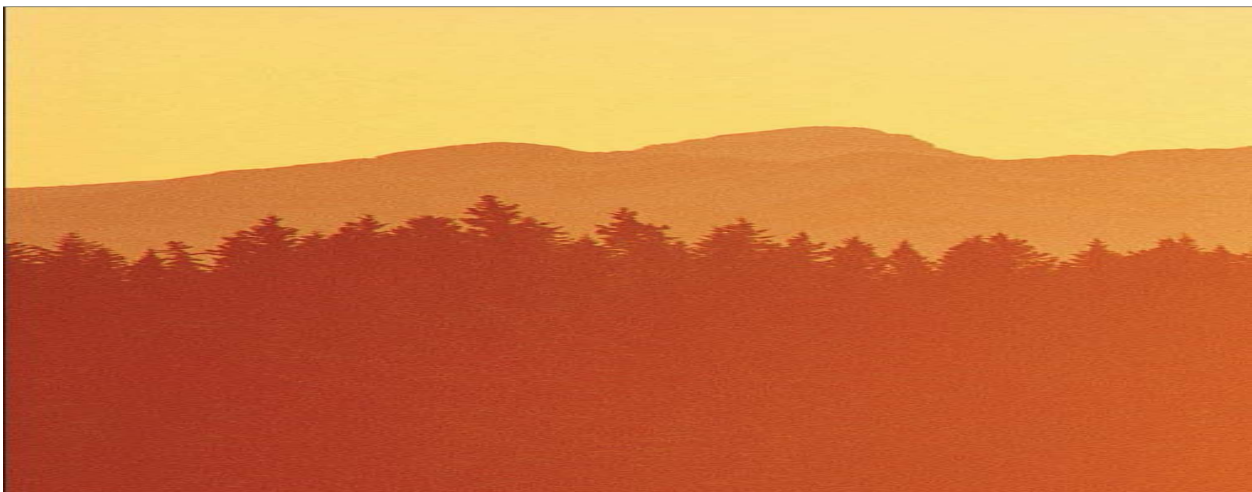
The week before Christmas, Hackman began pulling titles. "It's a week that slows down order-wise and was a good time to do it." Above the Treeline also gives stores a projected year-end estimate, which was Beneficial as Hackman checked data daily.

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Logos Bookstore (Springfield, OH) manager Jay Weygandt says he sorts information by buyer, department, and category to help his buyers see what's happening in their departments. "Grouping together has been a shocker," Weygandt says. "It encourages my buyers to do returns and cut back on purchasing, if necessary." The information his buyers see in the red sector on the pie chart signals they need to make a decision. "It's amazingly effective to get the visual picture rather than a group of numbers off a financial report," Weygandt says. He stresses that financials are still an important part of the decision-making process, but the visuals that have more impact, producing a quick response. His staff is becoming more knowledgeable about the inventory they're responsible for as they check information daily. They're now noticing earlier in the month if there's a problem instead of 20 days later when reports come in.

"In years past, I've run spreadsheets. There's a lot of capability on POS systems," Pence says. "IBID can set up reports giving a vast array of inventory information. But lots of people don't use them because it's time-consuming. The reports don't have a high-visibility interpretation that a bar graph with three colors has at a glance," he says.

Covington's book, music, and children's department managers meet regularly to look at Above the Treeline's graphs and charts.



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At the beginning of the year they took music-department products that had been on the shelves for “x” number of months and marked them down. Covington agreed decisions should be made in conjunction with a budget. “You need to understand how much money you have to spend on inventory.” When a product is marked down and moves, it increases the budget. The store is looking for increased inventory turns as a result of their focus.

wish lists

Retailers in the test group wished for:

- > A synchronization of core-inventory lists (Christian Marketplace, publishers).
- > Greater collaboration between publishers and distributors—20% to 30% of products are often out of stock with distributors.
- > Cleaner data—numbers can be skewed on best sellers and out of stocks. Watch for anomalies.
- > Better integration between Above the Treeline and Bookstore Manager for processing POs and returns.

Daily Aggregate Data

Above the Treeline’s fresh data can help define new trends and strategies to increase sales based on what’s selling at your store and others.

When Hackman first saw the program, he dove in. “There’s some apprehension with putting your [store] information out there, but it’s kept confidential,” he said, “still allowing you to see what other stores are doing comparatively.”

He gave an example. “A sales rep wanted to sell me a sequel. I didn’t have any earlier titles in the series,” Weygandt says.

“I was able to check the 20 stores that were part of the testing using ISBN numbers and saw that only two stores carried the book, and it wasn’t selling. It gave me another check of sanity to see how I’m doing.”

Weygandt otherwise would have been convinced to buy the book.

Another benefit is seeing if one store is driving sales of an unfamiliar title showing up as a best seller. “I can see how many stores are carrying the title. If it’s only one store, it could be the city where the author lives, and I can ignore it.”

The program is easy to use, giving instant information. “I can click on a bar graph and get a list of titles I don’t stock, and click on it again and see how other stores are selling titles,” Weygandt says.

Category Management

“You get today’s information [with Above the Treeline],” says Pence. “Some [other] lists may be colored by seasonal products, such as in July or August when you don’t need to know about graduation products sold.”

Above the Treeline also shows performance over time, giving a picture of how a category or department is doing. Goals then can be set focusing on strong titles and eliminating dead weight. “The natural outcome is increased turns in gross margin. Gross-margin dollars are what you put in the bank,” Covington says.

“The mass majority of stores are out of stock on core inventory,” Covington says. “We need a strong in-stock. Retailers have the tools available to do it.”

“I have an instantaneous stock look-up now, like on a POS system,” Pence says.

Weygandt learned some things about his buying habits using Above the Treeline. “I tend to buy everything that comes out. I don’t want to miss out on anything good,” he says.

It isn’t large quantities of product purchases, but the ones and twos of things bought that end up being returned. “The ‘B’ and ‘C’ titles aren’t

core inventory

The Christian Marketplace Core Inventory Report lists the top 3,000 titles sold in Christian stores by dollar-value contribution (based on suggested retail price). Titles are ranked by sales, alphabetically by title, and by industry-standard Christian Product Codes (CPC) to better merchandise and promote these core titles. This list is available to CBA members at www.cbaonline.org/General/downloads.jsp.

necessarily things I need to get," Weygandt says. "And if I do, they'll show up on recommended lists that I can catch on the backside."

Data-Sharing Capability

Above the Treeline allows greater cooperation and collaboration with trading partners. "There's a lot of potential in the program," Pence says. "It's a highly developed tool that has the capability to readily interface with the industry's supply-chain initiatives."

He says it can be integrated into a replenishment system that can analytically maintain inventory at appropriate levels on retailers' shelves, leaving special orders to be taken care of in the store. "We'll be able to do this not very far in the future," Pence says. "It's a matter of getting the whole structure organized to do it."

Publishers' Site

Current capabilities include a publishers' site that, with retailers' approval, can be used for vendor-assisted inventory management, to show growth areas and the latest trends and see how much of a publisher's backlist is being carried. Publishers can use Above the Treeline to determine a product-mix strategy and get a pulse of what and where customers are buying. It can help publishers develop better working relationships with retailers.

Ready for Change?

"Above the Treeline is working in the general market, and we're seeing success with it in our market," says Mike Hockett, CBA training & consulting manager.

Some stores may not implement Above the Treeline because it means learning something new. It's easy to fall into the trap of thinking, "This is the way I've always done it. Why change?"

Those who used the program to its full potential found it eye-opening, helping them make productive decisions. "It's a new wave in retailing," Hockett says. "If what you're using isn't working, then it's time to look at something else."

During the test phase, retailers made suggestions to enhance the program. Covington suggested an on-order column on reports so that if a title is on order, it's not really "out of stock" but "waiting to replenish." The report can be sorted to filter out orders, providing even more accurate information.

"It's a good use of technology for bookstores," Weygandt says. "I watch for tools that make life easier." The Ark Christian Bookstore opened its second location Feb. 1 and will use Above the Treeline there, too. For more on the program, call (800) 252-1950 and talk with a CBA member rep—or view a demo at www.abovethetreeline.com.

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