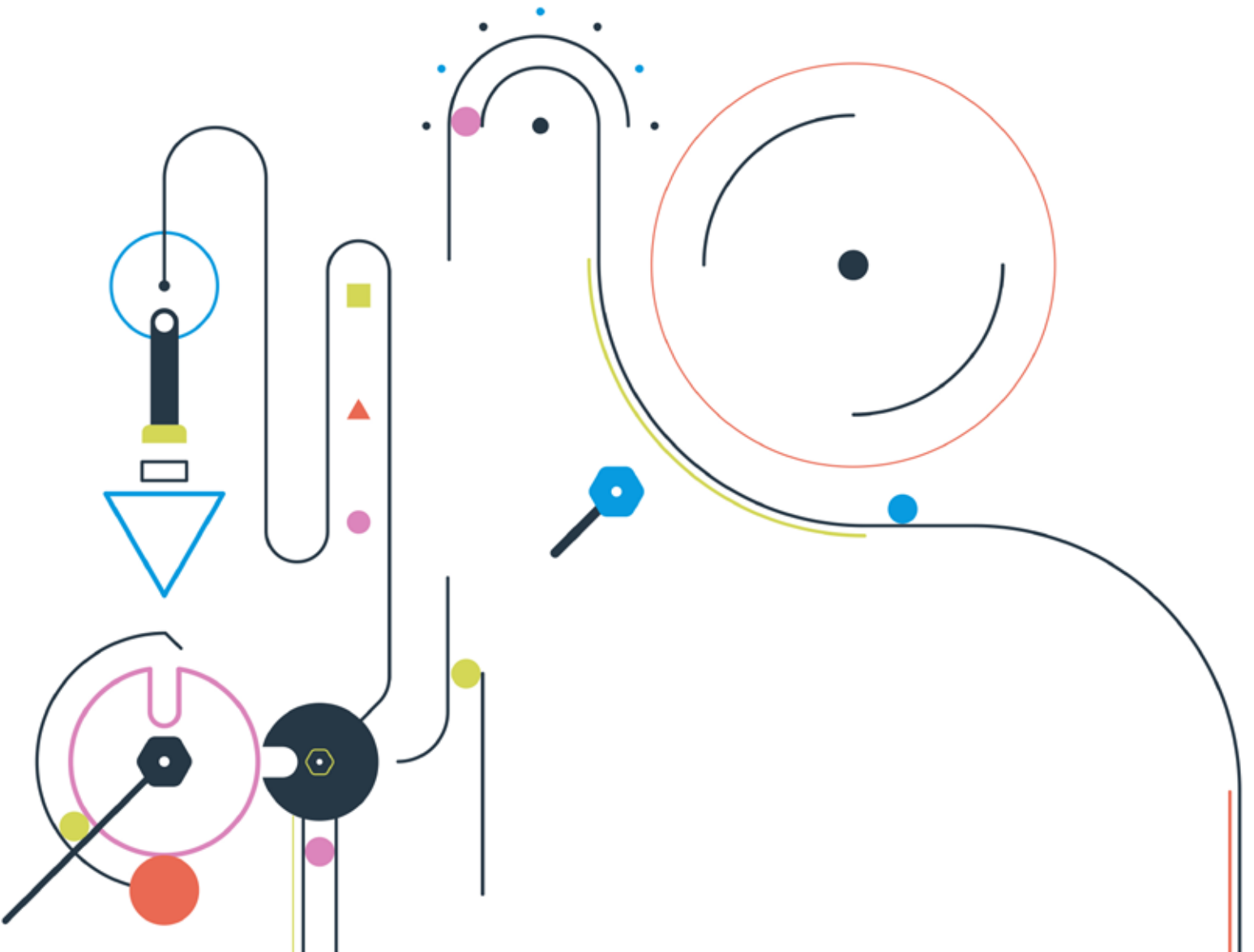




springboardRETAIL

INVENTORY

How successful retailers win by mobilizing POS inventory data.



GROW PROFITABLY & THRIVE

INTRODUCTION

Malls, chain stores, the internet... independent retailers have weathered a lot over the past few decades, and will continue to do so. Yet, even as retail continues to change drastically and the “Amazon effect” shows no sign of abating, the outlook for retail is bright, especially for retailers who are agile, resilient, creative and laser focused on using data to drive inventory management.

Inventory management is key for profitability in retail. Disappointing customers by missing trends or not meeting their demand puts retailers in a serious deficit when they have to rely on reactive discounting. With ecommerce changing customer expectations dramatically, we’ve moved unequivocally toward an age of instant gratification that leaves very little margin for error. Consumers have high expectations, they demand inventory visibility in real-time across all channels and want to be able to shop seamlessly wherever, whenever they want.

Independent retailers are understandably worried, left wondering how to compete. Yet, they can, and many small to mid-size retailers are leading the way by not by sticking to the status quo. More than ever, retailers have access to technology that allows them to improve efficiency, productivity and most importantly agility. And, it’s affordable. Point of Sale software today generates data that was unthinkable even 10 years ago. Now, retailers can understand customer preferences at a granular level - what they love, what they want, why they buy, when they buy, what motivates them and so on.

By using POS software as the engine and harnessing data to provide valuable insight, retailers can begin to make decisions that are based on fact, becoming more agile, creative and strategic in the process. By responding quickly to changing market conditions and meeting the needs of customers on their terms, retailers can shift to a more proactive mindset.

Marc Weis, CEO of [Management One](#), a global retail planning consultancy, is very positive about the future of retail. In fact, he believes that the tools and resources needed to become successful have become democratized, making it possible for small to mid-size retailers to actually compete (even against larger retail enterprises). He believes that their ability to be nimble is a huge strength. Marc summarizes this by saying, **“retail today is a fight for market-share, whoever has the information and can act on it quickly wins.”**

This report is designed to share not only why inventory data from POS software is the cornerstone for retail success, but also to provide a practical framework for retailers to harness it and become more agile in their approach. The first step is making the shift from a traditional to a modern mindset.



“Ecommerce represents only 8.9% of total U.S. retail purchases” ~Q2 2017 Retail Report U.S. Census Bureau

SHIFTING GEARS, MOVING FASTER

Historically, the inventory cycle was dictated by manufacturers. They set the rules based upon their production cycle which was geared towards seasonality, causing a “trickle down” effect as retailers adjusted to the trends. But today, communication is instantaneous and demand is continuous. Consumers see runway trends but are no longer willing to wait 6 months before merchandise hits their local boutique. They have access to a huge variety of products across many verticals and can shop wherever, whenever they want — in store, online, or on mobile devices.

Inevitably, the inventory cycle has accelerated rapidly. Today, inventory management is often dictated by customer demand and retailers that use their POS inventory data to keep stores fresh and timely are enjoying success. According to Weiss, from his vantage point in working with hundreds of retailers, “those retailers that have the shortest lead times have the most success.” Fast fashion retailers like Forever 21, H&M and Zara transformed retail by bringing new collections into their stores every 2-4 weeks, a clear departure from the rhythm of the runway season. Coupled with the advent of Amazon, immediacy has now become the new normal across all retail categories. Even in brick & mortar stores, people want fresh product, great prices, in stock, available right when the trend breaks.

TRADITIONAL MINDSET <i>reactive</i>	MODERN-AGILE MINDSET <i>proactive</i>
Inventory planning based on “beating last year”, yet often the conditions (ie) weather, staffing are not considered.	Inventory planning based on current customer demand.
Space driven planning.	Sales driven planning, micro plans by merchandise class, location, season and brand.
Separate inventory plans for each channel.	Holistic inventory plan that incorporates all channels and is unified by customer demand.
Seasonal assortment planning that is set & forget.	Assortment planning based on current trends.
Annual inventory audits.	Regular partial inventory counts.
Vendor dictates buying terms.	Retailer demands terms and backs up with sales data.

“43% of small businesses do not track their inventory or use a manual process.” ~ [Wasp Barcode](#)

In a very short time, retailers have been pushed to shift their mindset in order to meet this new breed of customer. It's been a big leap, to say the least, and the majority still have not crossed the divide.

Yet, despite the challenges, Weiss is bullish on the opportunity for independent retail. He maintains that retailers today have the information, access, and data available to make strategic inventory decisions. POS software with user-friendly, professional features are readily available at affordable price points. In addition, marketing costs have been cut thanks to social media and other free distribution channels. He contends that the biggest obstacle is that there can be an overwhelming amount of data. Retailers he says, “lack the time to process or interpret the data and make it actionable” and he continues, “sometimes it's not the right data or it lacks the appropriate context”.

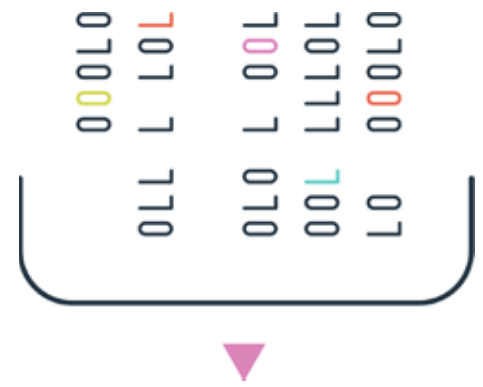
CROSSING THE DIVIDE

The day-to-day demands of retail can be overwhelming and often it is very difficult to set aside time to look at the big picture. But the reality is, when it comes to inventory this oversight can make or break the business because product is the foundation for a store's success. Having too much, not enough, or the wrong kind of product without having mechanisms in place to quickly spot problems and make adjustments can trigger a negative chain reaction.

According to Weiss, in order to grow, the first step for retailers is to be honest and build their retail business on principles that are sustainable over the long-term. Defining exactly what they are in business for, having a willingness to understand the data, developing the right KPIs for strategic decision making, and lastly being agile in identifying problems and opportunities quickly, are all imperative. All of this he says, “can be done using inventory data readily available on a good POS.”

Management One's Top Traits for Inventory Success in 2017

- Use POS data to drive all inventory decisions
- Shorten lead times for new product
- Understand customer preferences at a granular level
- Search constantly for fresh, new product
- Be agile and willing to react to trends quickly
- Make data accuracy and detail a priority
- Share inventory data and analytics with the whole team



INVENTORY BENCHMARKS: A BALANCE & FLOW

You can do all the marketing in the world but sadly you'll disappoint customers if you don't have the right product on hand, at the right time. Weiss characterizes retail today as grounded in behavioral science; in other words, you must understand your customers at a granular level and to get there you need to build both strong relationships and great data. He advises to start with achieving what Management One calls the right "balance & flow," which is defined as:

- Having the right amount of inventory
- In the right class
- And landing those goods, at the right time

Scott Smith, Management One's Director of Operations and retail veteran of 20 years, shares that many retailers are inclined to rely too much on emotion when making inventory decisions not relying enough on data to tell the story. "Customers," he says, "are really the ones who should drive inventory decisions." All retailers need to ask themselves four critical questions.

- What are your business' KPI's? (Key Performance Indicators)
- Are they metrics that will guide the decisions critical for success?
- Can your POS give you the data you need?
- Are you ready to live and die by these metrics so your business can thrive?

Ultimately, the goal is to understand these KPI's to determine how your inventory compares to your business expenses, a crucial ratio for measuring profitability. Effective inventory management is simply good business planning. Setting up the right benchmarks keeps a retail business honest with the end goal being:

- Inventory transparency & visibility across an item's entire life cycle
- Proactive purchasing based on margin and demand
- Ability to provide an "endless aisle" capability if you have multiple channels
- Use data to spot trends, keep bestsellers in stock, and pivot if needed
- Sharper forecasting using historical data, customer feedback, trends, seasons, operating cost
- Maximize profits, minimize discounting
- Optimize cash flow management

Management One starts with GMROI or Gross Margin Return on Investment which demonstrates whether a retailer is able to make a profit on his/her inventory over a 12-month rolling cycle. GMROI is an inventory profitability evaluation ratio that analyzes a firm's ability to turn inventory into cash above the cost of the inventory. It measures inventory turnover or movement as well as gross margin dollars. Inspecting BOTH margin and turnover together is key to understanding inventory performance.

When this calculation is complete (by category, by vendor) the retailer has a clear, truthful picture of the health of their business through a simple digit. For example;

- 1 Means you are barely keeping lights on
- 2 Means you are able to pay for your inventory
- 2+ Means you can start to pay yourself

$$\text{GRMOI} = \frac{\text{gross margin}}{\text{average inventory cost}}$$

CMROI or Cash Margin Return on Investment is another key benchmark Management One uses to calculate retail business health, clearly showing how much cash the inventory produces for the business.

5 Key Questions Retailers Need to Ask

- How much did I sell?
- How much money did I make?
- What was my margin?
- What do I have left, how can I move it?
- What did I learn?

4 Things Retailers Must Do to Compete

- Learn to make data-based decisions
- Build agility into their mindset
- React quickly to problems & opportunities
- Know the store's unique value proposition

A FRAMEWORK FOR DETERMINING KPI'S

Using a POS system to track inventory requires that retailers focus on both detail and accuracy when adding item data. In addition, being able to create custom fields plays a key role. Adding fields for things like “season” or “style” can help with a more detailed inventory analysis. When item details are entered thoroughly into a POS system, the retailer can harness the data collected from purchasing through sales to pull customized reports that help them look for both opportunities and issues such as;

- Dead stock and cash tied up in merchandise that is not moving
- Excess inventory, overhead (carrying costs) that are too high
- Low inventory for high performing stock
- Out of balance inventory or too much inventory in one channel that is moving in another

Management One has identified 3 key KPI's as a starting point for inventory assessment — sell-through, freshness and sales performance.

Sell-through

This metric works well for most retailers and is defined as “a calculation, commonly represented as a percentage, comparing the amount of inventory a retailer receives from a supplier against what is actually sold [in a specific time period] to the customer.” The reporting time period can be weekly or monthly and is key when comparing categories, vendors or styles against one another.

$$\text{Sell-through} = \text{units sold} / \text{stock on hand} \times 100$$

Sell-through helps assess if your investment is performing well. Depending upon the time period, a low sell-through percentage, say less than 10% per month, might indicate that your price is too high or you overbought and need to take an action to move the merchandise; a higher percentage of 90% can highlight a hot trend, a price that's too low, or that you were too conservative in your buying.

-TIP- Calculating sell-through for brands can help you build a vendor score card which will give you the data you need to negotiate better pricing and terms with your vendors.

Freshness

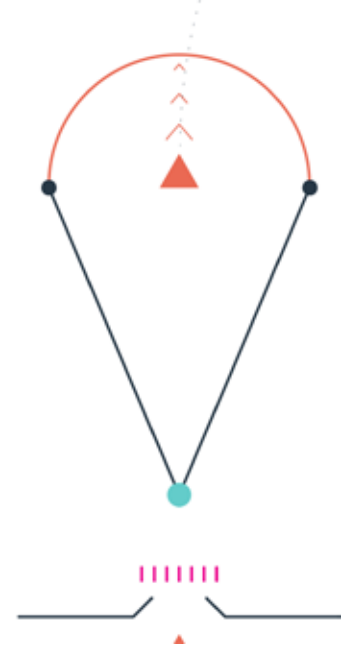
By monitoring and analyzing the age of your merchandise, you can begin to assess the liveliness and health of your inventory from classification through vendor, style and size. Today, fresh merchandise is a key factor in keeping customers coming back. Building reports that look at product through a holistic lens gives an accurate snapshot of how “fresh” your merchandise is. Often, inventory can feel “precious” to retailers and so it's important to continually ask:

- When did you receive it?
- How much did you receive?
- How long has it been in store?
- How much is left?
- What are strategic next steps based on this learning?

Sales Performance

Weiss describes people and inventory as retailer's biggest assets and biggest liabilities. Thus, it's important to understand how effective you are in promoting and selling the inventory you've invested in. These KPI's should assess:

- Traffic & conversions
- Promotional effectiveness
- Individual sales performance and staffing

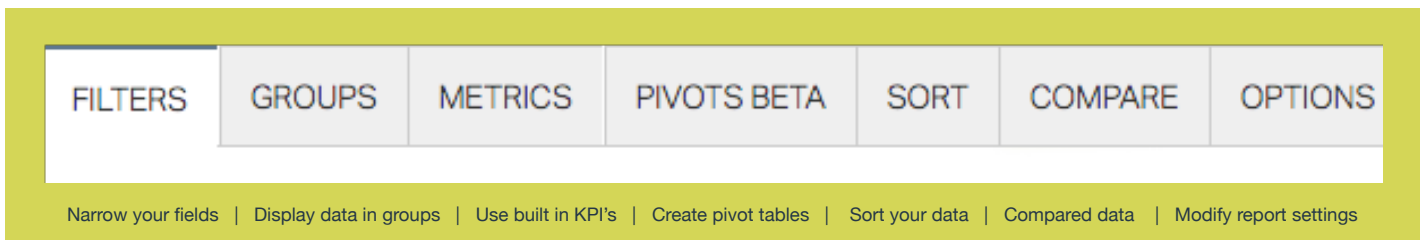


BUILDING THE RIGHT REPORTS

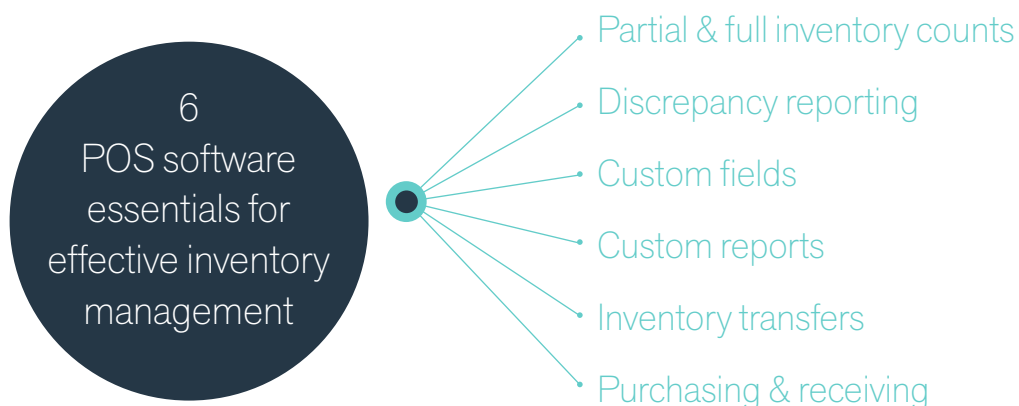
Understanding why detailed inventory management is so essential is the first step. Making a commitment to use a modern point of sale solution to harness the right data, is the second step. Third, retailers need to ensure items are accurately entered and monitored with regular inventory counts. The fourth step is determining the right set of KPI's to measure against. Lastly, retailers must build the right reports, ones that hold them and their team accountable daily, weekly, monthly and annually. The intelligence gained from these reports is the basis for inventory decisions.

A retailer's POS software must be robust enough to take all the data collected on each item, from purchasing through sales, and report on it dimensionally. For instance, Springboard Retail's Point of Sale reporting allows users to filter, group, sort and compare as well as providing a set of built-in metrics. In addition, a POS should be able to save reports, allowing anyone on the team to access them easily.

Springboard Retail Reporting



Following, are a sample of key reports inventory experts deem as essential to agility in inventory management. However, there is a caveat. The underlying requirement of all of these reports is that you have comparison metrics to benchmark against, whether that be a sales plan, merchandise plan or particular date-in-time. Additionally, we assume that these reports will be run per store/channel or holistically depending upon the retail business.



SELL THROUGH REPORTS

> Cost-on-hand per Class

Why: Indicates how much total cash is bound up in inventory per month. Retailers need to understand the real cash value of their merchandise on the floor. Is it too much? Or too little? Do we need to mark it down? Do we need to get more?

Metric: Cost-on-hand

Filters: Today / Compared to last year **Group:** Item Class

> Monthly Sell-through per Brand

Why: Sell-through compares the amount of inventory a retailer receives against what is actually sold. This report allows retailers to understand how a brand's inventory is turning over. One key factor is to understand the expected (optimal) selling period for the particular class of items.

Metric: Sell-through

Filters: Month **Group:** Brands

> Weekly Style and Attribute by Location

Why: This report shows out-of-balance inventory and can show where a retailer may be too deep in items in one store and low in another or in other words when it's time to initiate a transfer.

Metric: Current quantity on hand

Filters: Today **Group:** Location / Style / Attribute **Pivot:** Location*

** POS software such as Springboard Retail allows use of pivot tables as a way to make data easier to read*

FRESHNESS REPORTS

> Monthly Items Days Since First Received

Why: This report simply shows the age of a store's inventory and is a great way to get a clear look at what needs to be marked down or restocked.

Metric: Net qty sold / Qty-on-hand / Gross margin / Days since first received

Filters: Category / Vendor / Month **Group:** Style

> Year-to-date by "Season", Category and Vendor

Why: Gives an overview and comparison of the seasonal mix, helps clarify sales expectations for seasonal merchandise.

Metric: Sell-through / Net sales / Net qty sold / Current qty-on-hand / Cost-on-hand

Filters: Vendor / Year-to-date **Group:** Season / Category

> Report of what is on P.O.

Why: Quickly shows what is on order and allows retailers to determine whether any order adjustments are needed.

Metric: Total open cost on PO / Total open QTY on PO

Filters: Today **Group:** Category / Vendor / Style / Item # / Description

SALES PERFORMANCE REPORTS

> Gross Margin per Category & Style

Why: Quickly shows which category and style are performing best over a period of time.

Metric: Gross margin

Filters: Month-to-date **Group:** Category / Vendor / Style

> Sales by sales rep & Conversion

Why: Shows how sales associates are performing. With access to a traffic counting solution tied to POS data, it's also possible to understand how well the team is converting.

Metric: Net sales, New qty sold, No. Tickets, Units per transaction, Average transaction value, Conversion rate

Group: by Location

> Vendor comparison last 3 weeks by season

Why: Shows a snapshot of top & bottom sellers for a season, allowing the team to spot trends and reorder quickly.

Metric: Net sales / Net qty sold / Gross margin % / Qty-on-hand / Cos-on-hand / Days since last received

Filters: Month-to-date **Group:** Vendor / Style / Attribute / Season

CORRECTING THE COURSE

As retailers begin a regular reporting cadence to identify issues, the key is to act on the data quickly. Agility and responsiveness is directly tied to profitability. The goal is to change the status quo, whether that be to add the right inventory or move inventory that's not performing. When you identify product that is trending well, the ultimate goal is to push your vendors to respond quickly to your replenishment needs. Often retailers resort to markdowns as the default mechanism for moving slow moving merchandise, but the end result can be poor margin. It's important to consider the data and evaluate all the different ways to handle under-performing inventory.

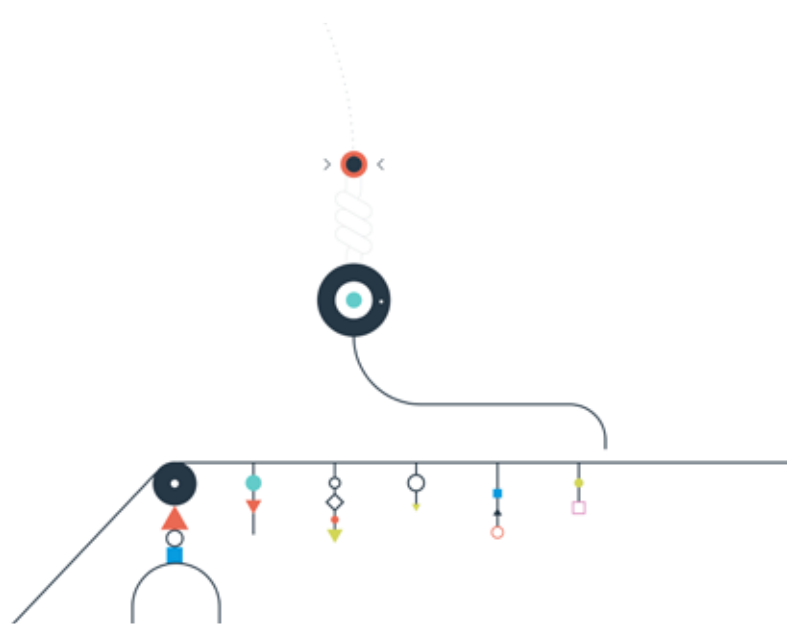
6 TECHNIQUES FOR MOVING INVENTORY

Markdowns

Although they are a quick way to improve turnover, create cash, keep fresh goods flowing and correct buying mistakes, markdowns should solve problems and not create new ones. Retailers need to thoroughly understand margin before "flipping" this switch so as not to create cash flow issues. According to Weiss, "a 2% reduction in markdowns adds almost a 1% increase to your profit."

Transfers

When a retail business has multiple channels or stores, it's crucial to understand how inventory performs at each and act accordingly. Leveraging a POS system's ability to initiate transfer requests between stores and the warehouse ensures that stores stay balanced and well stocked.



Reorder Points and Target Quantities

As retailers better understand their sell-through rates, they can begin to use POS software to set up reorder triggers to prevent bottlenecks. This is a mechanism best suited for merchandise that continually performs well over longer periods of time.

Remerchandising

Merchandising is often an overlooked mechanism for keeping a store fresh and appealing to customers. By using data to understand customers, retailers can see, for instance, what merchandise they buy in tandem and then act to co-locate items. People respond to fresh stimulating experiences so engaging all the senses, including sound and smell, as well as grouping things around a theme or telling a story can all be highly effective.

Pop-up or event

Without another store or online channel to move inventory, a pop-up store or stand at a local event like a farmer's market are some ways to gain exposure and move inventory. Other options include engaging vendors to create events focused on their brand or leveraging the community to create new avenues for sales. With a mobile cloud-based POS system, the logistics are affordable and landlords are more willing than ever to consider short-term leases.

Renegotiate with vendors

Retailers who have data, have proof, and the smart ones use it. They can share everything from their traffic and conversion rate to their sell-through for each of their brands. Armed with this data they can push vendors for better terms, margin or pricing. Requesting merchandise exchanges or returns when an item or brand is not meeting expectations is another tactic.

THE UPSHOT

Data is king when it comes to survival in today's retail climate, for retailers of all sizes. And when it comes to inventory management, it can be the difference between profitability and barely surviving. Retailers who are rigorous in their approach to inventory management, use a POS that serves as the engine for their business, and respond quickly and decisively to the data they glean, will be the ultimate winners. Why? Simply because they are in control. They understand their customers deeply and empower their teams to meet any challenge or opportunity that comes their way — quickly.

“Selling an item that is old does not validate holding onto inventory. Retailers are in the business of turning inventory, and creating profit requires acting on the winners and the losers.”

~ Marc Weiss, CEO, Management One



in the pink

Seasonal retailer harnesses inventory data to grow to a multi-million dollar enterprise.

In the Pink, one of the largest chains of Lilly Pulitzer Signature Stores, offered the perfect fit for New England's resort lifestyle. Founded on Nantucket in 1997 by Gordon and Sandra Russell, In The Pink expanded to 8 stores across Massachusetts. Growth and profitability were closely tied to management's ability to be agile and proactive during a highly compacted selling season. Success ultimately led to the purchase of the business by Lilly Pulitzer corporate in 2017.

Due to the seasonal nature of the business, in the pink stores had to be fully stocked and optimized by Memorial Day and depleted by Labor Day. The team used POS inventory data and reporting daily to monitor inventory across all channels — stores, the warehouse and online. Transfers were initiated weekly to ensure inventory was balanced across all locations, and the buying team re-ordered merchandise weekly. Every Monday they would determine what best sellers needed to be reordered and use a “sell list” from vendors to buy ready to ship merchandise. All reorders were to be received by Friday of the same week just in time for the busy weekend.

“Every day is a week, every week is a month” ~ Gordon Russell

In addition, the team would work with vendors to swap slow sellers for best sellers as well as monitor margin and sell-through. A mid-summer sale and targeted special events would help drive traffic, move slow sellers and keep space open for the bestsellers that delighted their customers.



ABOUT SPRINGBOARD RETAIL

Springboard Retail is a cloud POS and retail management platform designed by retailers, for retailers.

Built with multi-store, multi-channel retailers in mind, the software allows retailers to service every customer the same way, no matter where or how they shop.



Springboard Retail provides retailers with better control over sales and profitability by placing actionable real-time data in the hands of every person who needs it, from the C-suite to the store floor.

Retailers nationwide use Springboard's mobile POS to reclaim valuable square footage and influence buying behavior at the point of decision, where it matters most. With inventory management, unparalleled custom reporting, APIs, portability across platforms and devices, Springboard Retail is easy-to-use, quick-to-start and revered by its users for making their jobs easier.



Built for multi-store retailers, our features go beyond ringing up a sale! Give your retail business an edge; customize your POS to help you sell more, profitably.



Mobile POS accessible anytime, anywhere with our cloud-based POS software. Scale up or down quickly and easily whenever you want!



Drive sales with customer data. Provide insight to your sales team empowering them to build relationships and provide exceptional customer service.