



Unproductive Inventory

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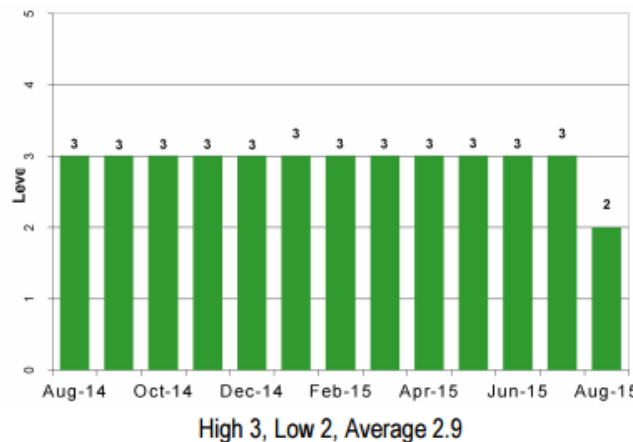
What is Unproductive Inventory?

- ▶ Two metrics combined into 1
 - ▶ **Obsolete**
 - ▶ No action (sale or purchase) in over 2 years
 - ▶ **Overstock**
 - ▶ Over 2 year supply on hand
- ▶ Percentage of inventory at Average Cost.

Measure and Monitor

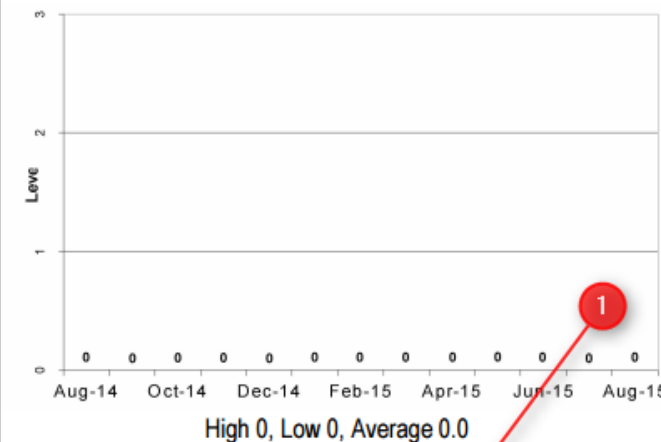
- ▶ A great place to see where your store is at
- ▶ Shows your current percentage and the target to pass the level
- ▶ PLO Goal: 7% and less
- ▶ Review email > charts.pdf

Inventory Operations



Operational Level	Store	Target	
0	Completion	97%	95% and higher ✓
1	IRA	88%	80% and higher ✓
2	Dollar Accuracy	94%	95% and higher ✗
3	Shrink	-2.2%	Between -0.5% and 0.1% ✗
4	Efficiency	87%	95% and higher ✗

Inventory Productivity



Productivity Level	Store	Target	
0	Unproductive	9.5%	7% and lower ✗
1	In Stock	1.3%	1% and lower ✗
2	Assortment	2.4%	2% and lower ✗

Measure and Monitor

1. Obsolete = 6.9%
 2. Overstock = 2.6%
- ▶ 6.9% + 2.6% = Unproductive
 - ▶ Unproductive = 9.5%
 - ▶ \$100,000 of inventory
 - ▶ \$9,500 is unproductive
 - ▶ Review email > charts.pdf



Executive Summary

August '15
Store 3

🔍 Sales

At the end of August, year to date comparable sales were up 1.6%, an upward change of 0.8 points from last month. Margin was lower by 1.5 points compared to last year and comparable gross profit dollars for the year are up 3.0%.

Metric	Peer Group	This Store	0	1	2	3	4
MTD Sales	10.3%	8.1%			■		
YTD Sales	8.1%	1.6%				■	
YTD GP Dollars	7.3%	3.0%				■	
MTD Margin %	42.4%	45.3%	■				
YTD Margin %	41.6%	44.5%	■				
Ace SKU Margin %	44.0%	45.7%	■				
Non-Ace SKU Sales %	28.2%	25.8%			■		
Non-Ace SKU Margin %	35.7%	41.0%			■		
Rewards %	0.6%	0.6%			■		
Promotion activity %	7.7%	7.9%			■		

🔍 Operational

Your store is currently at Operational Level 2 which means it has achieved a high degree of IRA. Dollar Accuracy is the next level and is the easy to achieve! For help, please click on the Dollar Accuracy link in below. Adjusted shrink is \$-26,669 for the trailing twelve months (TTM), or -2.2% of sales. Your shrink metric is over twice the target of -0.5%, you may be using your shrinkage system in a way that is not compatible with Mango. Click on the Shrink link in the grid below for more help.

Level	Peer Group	This Store	0	1	2	3	4
Operational Level	1.7	2				■	
0: Completion	90%	97%			■		

🔍 Inventory

Obsolete inventory (value of items not sold in over two years) is \$21,555, 6.9% of inventory value. Overstock (over two years' supply) is \$8,228, 2.6%, these two metrics together are called Unproductive. Inventory per sq. ft. is based on your overall square footage of 5,832 (including storage). Your assortment covers 60% of Ace's COR Discovery Category and these SKUs make up 67% of the SKUs in your store.

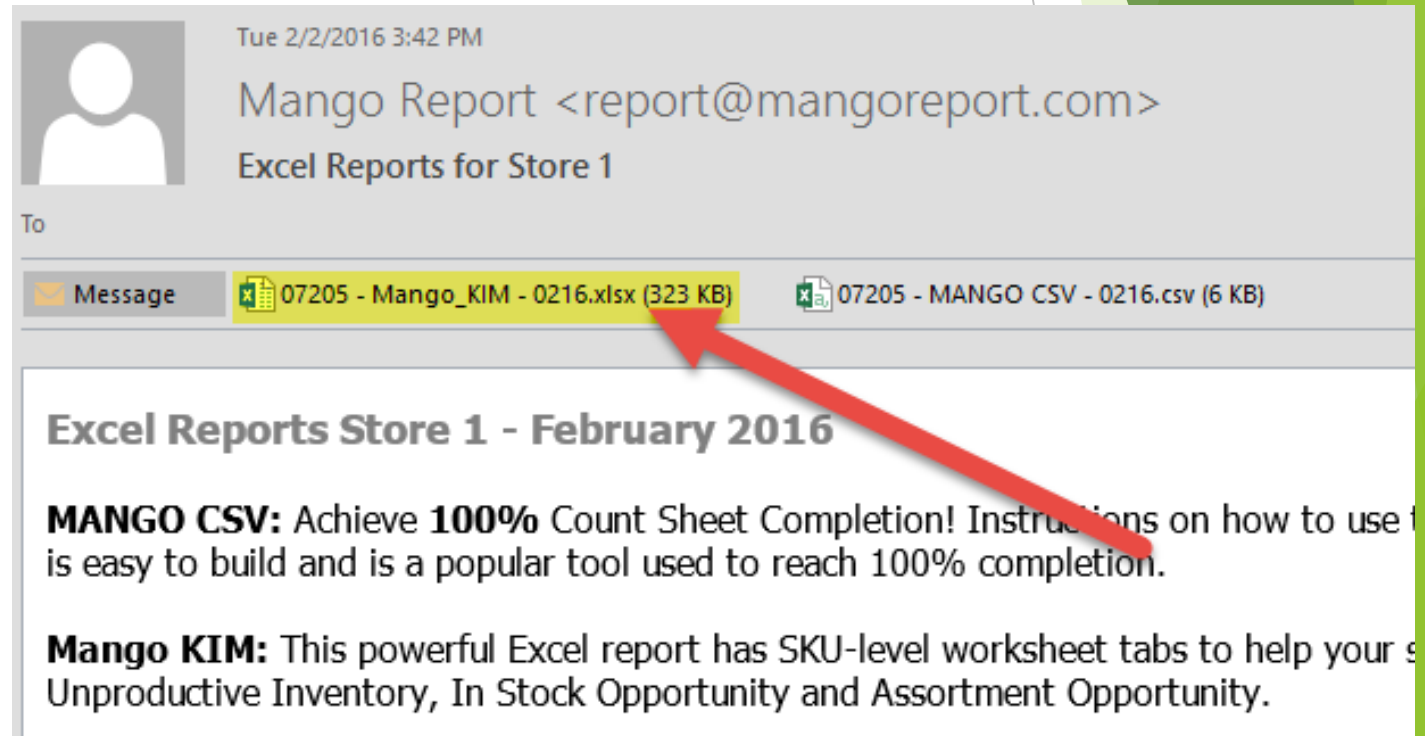
Metric	Peer Group	This Store	0	1	2	3	4
RPA Reference	96.0%	100.0%			■		
OP vs. Reference \$	13.0%	18.0%			■		
OP greater than 1	49.0%	55.0%			■		
QOH greater than 1	73.0%	73.0%			■		
Inv. per Sq. Ft.	\$48.7	\$53.8			■		
Min. OP Adoption	79.0%	86.0%			■		
Obsolete	5.5%	6.9%				■	
Overstock	3.1%	2.6%				■	
COR Coverage	65%	60%			■		
GMROI ACE TTM	1.87	1.59				■	
GMROI ALL TTM	1.77	1.63				■	

🔍 Other

Margin potential compared to last year is down 190 basis points. This is a measure of how net retail and cost changes are likely to affect future margin (based on historical sales). Your store sees 20% less sales volume in common Ace items compared to the typical peer store, and carries 30% less inventory. Policy A defectives are 1.3% of policy A purchases. Outs were counted 57% of the time. 35% or higher indicates a regular shooting outs

Identify

- ▶ Sent to you monthly in your Excel Email
 - ▶ MANGO_KIM
- ▶ MANGO_KIM
 - ▶ Obsolete tab
 - ▶ Overstock tab
- ▶ Full SKU listing
- ▶ Columns to sort and filter



Now what?

- ▶ Overstock
 - ▶ Requires creativity
 - ▶ Buy one, get one free
 - ▶ Discounted pricing until QOH returns to normal level
- ▶ **Obsolete**
 - ▶ **Mango has a solution!**

Obsolete – Closeout Management

- ▶ An ongoing monthly process where obsolete SKUs are identified, then Mango generates a markdown file in monthly intervals
- ▶ Most items are managed on a 50% / 75% / 90% price reduction strategy
 - ▶ 30 days at each discount
- ▶ Intelligent markdowns
- ▶ Gross profit is maximized while clearing your store of obsolete inventory

Good for Business

- ▶ The loss happened 2 years ago when you purchased it
- ▶ Because it is not reordered, there is a cash gain when closed out product sells.
- ▶ When product is removed after not selling, an inventory loss is incurred which reduces tax liability.
- ▶ Your customers will find some great deals while walking your aisles--no advertising expense incurred.
- ▶ Customers pay you to remove obsolete inventory from your store.
- ▶ Less investment in obsolete inventory means more opportunity to invest in good-selling inventory.
- ▶ Less obsolete inventory means a more convenient, relevant and clutter-free shopping experience for your customers.
- ▶ Less obsolete inventory improves operational efficiency by reducing the number of items to price, clean, front, locate, count and move.

How do I get started?

- ▶ 3 closeout management processes
 - ▶ Identify – mark SKUs for Mango to manage
 - ▶ MIP & Label – import, activate, and tag promo SKUs
 - ▶ Remove – haven't sold, PIP out, and donate

Closeout Management - Identify

- ▶ Open the COM tab (Mango_KIM)
- ▶ In IMU change the Store Closeout flag to **YES** and set Location 2 = **MDR**
- ▶ Optional: consider putting XDR in Location 2 for Mango to exclude from future COM lists

Closeout Management – MIP & Label

- ▶ A closeout promotion file will be in your Excel report email the following month
- ▶ The file will be loaded into your system via Network Access
- ▶ Activate the promo
- ▶ Tag SKUs with their promotional price

Closeout Management – MIP & Label

Promotion Type Name			
January	CLEAR01	July	CLEAR07
February	CLEAR02	August	CLEAR08
March	CLEAR03	September	CLEAR09
April	CLEAR04	October	CLEAR10
May	CLEAR05	November	CLEAR11
June	CLEAR06	December	CLEAR12

Retail Ending



50%



75%



90%



remove



25%

For expensive items

Closeout Management - Remove

- ▶ Anything with a retail ending in a 0
- ▶ PIP to zero
- ▶ Donate or send to the dumpster

Closeout Management

- ▶ Monthly Process
 - ▶ Month 1: Identify
 - ▶ Month 2: MIP & Label + New Identify
 - ▶ Month 3: MIP & Label + New Identify
 - ▶ Month 4: MIP & Label + New Identify
 - ▶ Month 5+: MIP & Label + New Identify + Remove

Closeout Management - Intelligence

- ▶ Only reduces if product does not sell
- ▶ Protects high dollars items where loss would be greater than \$20
- ▶ Delays discount if sale is expected (peer group driven)
- ▶ Profit Maximizing Markdown

Unproductive Inventory - Recommendations

- ▶ Consider 50 - 100 SKUs per month
 - ▶ 300-400 Total
- ▶ Implement shelf talkers to draw attention
 - ▶ 126195 – Marketing Muscle



Thank You!

- ▶ www.mangoreport.com/com
- ▶ www.mangoreport.com/help
- ▶ support@mangoreport.com
- ▶ 734.301.4510

The screenshot displays the Mango Report Help Center interface. The top navigation bar includes the Mango Report logo and the text "Mango Report Help Center". Below the logo, there are utility icons for "Index", "Bookmark", and "Print". The main content area is titled "Contents" and lists various help topics. The "Closeout Management" topic is highlighted in blue. Below the list, there are three icons: a magnifying glass labeled "Identify", a square with an arrow labeled "MIP & Label", and a red trash can labeled "Remove". The main content area also shows the breadcrumb "Home > Closeout Management" and the title "Closeout Management - Overview". The text below the title discusses obsolete inventory, stating that items not sold in two years are considered obsolete and that unproductive inventory should be no more than 7% of total inventory. There are two expandable sections: "Benefits to managing obsolete inventory" and "Closeout Process Overview". At the bottom, there is a recommendation to watch a webinar on unproductive inventory.

Mango Report
Help Center

Index Bookmark Print

Home > Closeout Management

Closeout Management - Overview

Cash out obsolete inventory

All hardware stores carry slow moving hard-to-find products, it's part of the allure of a good deal —when an item hasn't sold in **two years** then it's time. We call these SKUs **obsolete**. In a good mix, unproductive inventory should make up no more than 7% of your store's total inventory strategy. [Read more about Unproductive Inventory \(Productivity Level 0\).](#)

+ Benefits to managing obsolete inventory

+ Closeout Process Overview

Identify MIP & Label Remove

Consider watching the Unproductive webinar below which outlines the Closeout Management