

# Inventory Management for Maximum Profit

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# Inventory Management

- Introduction
- Open to Buy
- The Virtuous Cycle
- Turn Rate Analysis
- Sales Per Square Foot
- Exceptions to the Rule

# Maximum Profit

## Potential

Inventory at MSRP: \$100,000.00

Turns	Gross Sales	5% Net	6% Net	7% Net	8% Net	9% Net
1	\$100,000.00	\$ 5,000.00	\$ 6,000.00	\$ 7,000.00	\$ 8,000.00	\$ 9,000.00
2	\$200,000.00	\$ 10,000.00	\$ 12,000.00	\$ 14,000.00	\$ 16,000.00	\$ 18,000.00
3	\$300,000.00	\$ 15,000.00	\$ 18,000.00	\$ 21,000.00	\$ 24,000.00	\$ 27,000.00
4	\$400,000.00	\$ 20,000.00	\$ 24,000.00	\$ 28,000.00	\$ 32,000.00	\$ 36,000.00
5	\$500,000.00	\$ 25,000.00	\$ 30,000.00	\$ 35,000.00	\$ 40,000.00	\$ 45,000.00

# Application

- Brick and Mortar
- Three Types of Stores
- Tools have selective application





## Open to Buy

- Purchasing budget for merchandise
- Separate from your store budget
- Zero sum game
- First step is tracking for balance
- Includes sales and forecasting

# Open to Buy

## Create a simple spreadsheet

Starting Budget \$ 1,000.00

DATE	SALES	COGS	AVAILABLE	PURCHASES	BALANCE
27-Feb	\$ 358.15	\$ 208.59	\$ 1,208.59	\$ 201.00	\$ 1,007.59
28-Feb	\$ 543.69	\$ 255.59	\$ 1,275.96	\$ 1,193.30	\$ 82.66
1-Mar	\$ 334.35	\$ 194.12	\$ 286.49	\$ -	\$ 286.49
2-Mar	\$ 690.33	\$ 415.53	\$ 722.79	\$ 500.00	\$ 222.79
3-Mar	\$ 597.10	\$ 339.16	\$ 578.91	\$ 901.44	\$ (322.53)
4-Mar	\$ 453.38	\$ 246.19	\$ (64.03)	\$ 94.61	\$ (158.64)
5-Mar	\$ 391.26	\$ 212.69	\$ 64.68	\$ -	\$ 64.68

# Open to Buy

## Sales

Starting Budget \$ 1,000.00

DATE	SALES	COGS	AVAILABLE	PURCHASES	BALANCE
27-Feb	\$ 358.15	\$ 208.59	\$ 1,208.59	\$ 201.00	\$ 1,007.59
28-Feb	\$ 543.69	\$ 255.59	\$ 1,275.96	\$ 1,193.30	\$ 82.66
1-Mar	\$ 334.35	\$ 194.12	\$ 286.49	\$ -	\$ 286.49
2-Mar	\$ 690.33	\$ 415.53	\$ 722.79	\$ 500.00	\$ 222.79
3-Mar	\$ 597.10	\$ 339.16	\$ 578.91	\$ 901.44	\$ (322.53)
4-Mar	\$ 453.38	\$ 246.19	\$ (64.03)	\$ 94.61	\$ (158.64)
5-Mar	\$ 391.26	\$ 212.69	\$ 64.68	\$ -	\$ 64.68

# Open to Buy

## COGS (Cost of Goods Sold)

Starting Budget \$ 1,000.00

DATE	SALES	COGS	AVAILABLE	PURCHASES	BALANCE
27-Feb	\$ 358.15	\$ 208.59	\$ 1,208.59	\$ 201.00	\$ 1,007.59
28-Feb	\$ 543.69	\$ 255.59	\$ 1,275.96	\$ 1,193.30	\$ 82.66
1-Mar	\$ 334.35	\$ 194.12	\$ 286.49	\$ -	\$ 286.49
2-Mar	\$ 690.33	\$ 415.53	\$ 722.79	\$ 500.00	\$ 222.79
3-Mar	\$ 597.10	\$ 339.16	\$ 578.91	\$ 901.44	\$ (322.53)
4-Mar	\$ 453.38	\$ 246.19	\$ (64.03)	\$ 94.61	\$ (158.64)
5-Mar	\$ 391.26	\$ 212.69	\$ 64.68	\$ -	\$ 64.68



# Open to Buy

## Available Budget

Starting Budget: \$ 1,000.00

DATE	SALES	COGS	AVAILABLE	PURCHASES	BALANCE
27-Feb	\$ 358.15	\$ 208.59	\$ 1,208.59	\$ 201.00	\$ 1,007.59
28-Feb	\$ 543.69	\$ 255.59	\$ 1,275.96	\$ 1,193.30	\$ 82.66
1-Mar	\$ 334.35	\$ 194.12	\$ 286.49	\$ -	\$ 286.49
2-Mar	\$ 690.33	\$ 415.53	\$ 722.79	\$ 500.00	\$ 222.79
3-Mar	\$ 597.10	\$ 339.16	\$ 578.91	\$ 901.44	\$ (322.53)
4-Mar	\$ 453.38	\$ 246.19	\$ (64.03)	\$ 94.61	\$ (158.64)
5-Mar	\$ 391.26	\$ 212.69	\$ 64.68	\$ -	\$ 64.68

# Open to Buy

## Purchases (what I spent today)

Starting Budget \$ 1,000.00

DATE	SALES	COGS	AVAILABLE	PURCHASES	BALANCE
27-Feb	\$ 358.15	\$ 208.59	\$ 1,208.59	\$ 201.00	\$ 1,007.59
28-Feb	\$ 543.69	\$ 255.59	\$ 1,275.96	\$ 1,193.30	\$ 82.66
1-Mar	\$ 334.35	\$ 194.12	\$ 286.49	\$ -	\$ 286.49
2-Mar	\$ 690.33	\$ 415.53	\$ 722.79	\$ 500.00	\$ 222.79
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4-Mar	\$ 453.38	\$ 246.19	\$ (64.03)	\$ 94.61	\$ (158.64)
5-Mar	\$ 391.26	\$ 212.69	\$ 64.68	\$ -	\$ 64.68

# Open to Buy

## Balance Available

Starting Budget \$ 1,000.00

DATE	SALES	COGS	AVAILABLE	PURCHASES	BALANCE
27-Feb	\$ 358.15	\$ 208.59	\$ 1,208.59	\$ 201.00	\$ 1,007.59
28-Feb	\$ 543.69	\$ 255.59	\$ 1,275.96	\$ 1,193.30	\$ 82.66
1-Mar	\$ 334.35	\$ 194.12	\$ 286.49	\$ -	\$ 286.49
2-Mar	\$ 690.33	\$ 415.53	\$ 722.79	\$ 500.00	\$ 222.79
3-Mar	\$ 597.10	\$ 339.16	\$ 578.91	\$ 901.44	\$ (322.53)
4-Mar	\$ 453.38	\$ 246.19	\$ (64.03)	\$ 94.61	\$ (158.64)
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# Open to Buy Objectives

- Pitfalls of over-spending



# Open to Buy Objectives

- Pitfalls of over-spending
- Pitfalls of under-spending



# Open to Buy Objectives

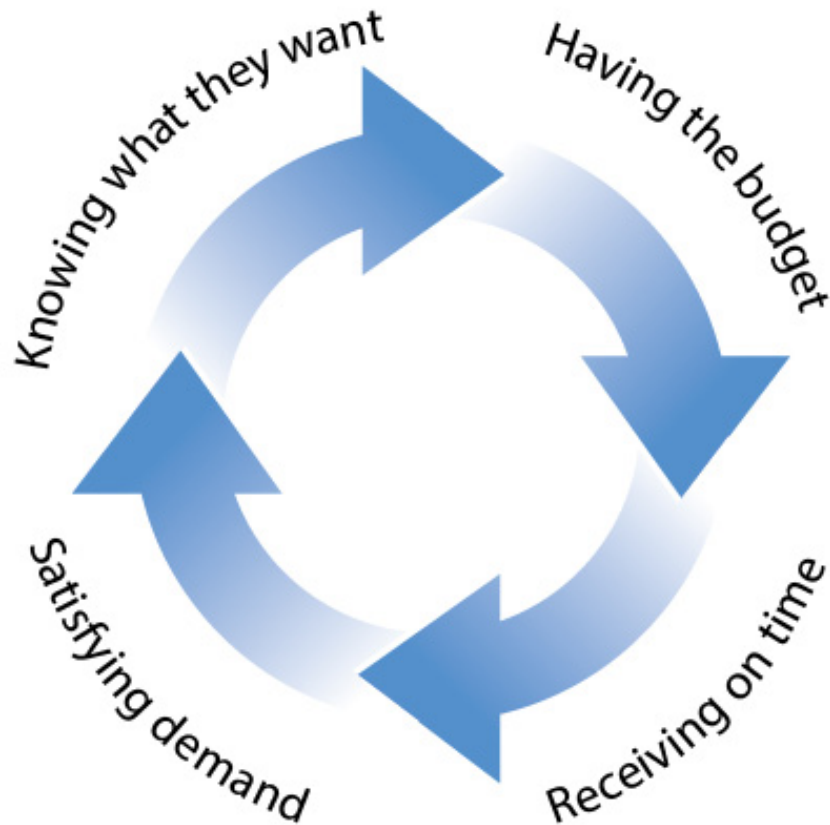
- Pitfalls of over-spending
- Pitfalls of under-spending
- Measuring is the key



# Open to Buy Objectives

- Pitfalls of over-spending
- Pitfalls of under-spending
- Measuring is the key
- Leads to The Virtuous Cycle

# The Virtuous Cycle







# Turn Rate Analysis

What is a turn rate?



# Turn Rate Analysis

- What is a turn rate?

Annual Sales (Gross)

Inventory Value (current, at MSRP)



# Turn Rate Analysis

Track turn rates for:

- Individual Items
- Product Lines
- Entire Store



# Turn Rate Analysis

What's a **good** turn rate?

**It depends.**

- A good overall average is 3-4.
- Some categories average much higher
- Too high a turn rate can lose you sales

# Turn Rate Analysis

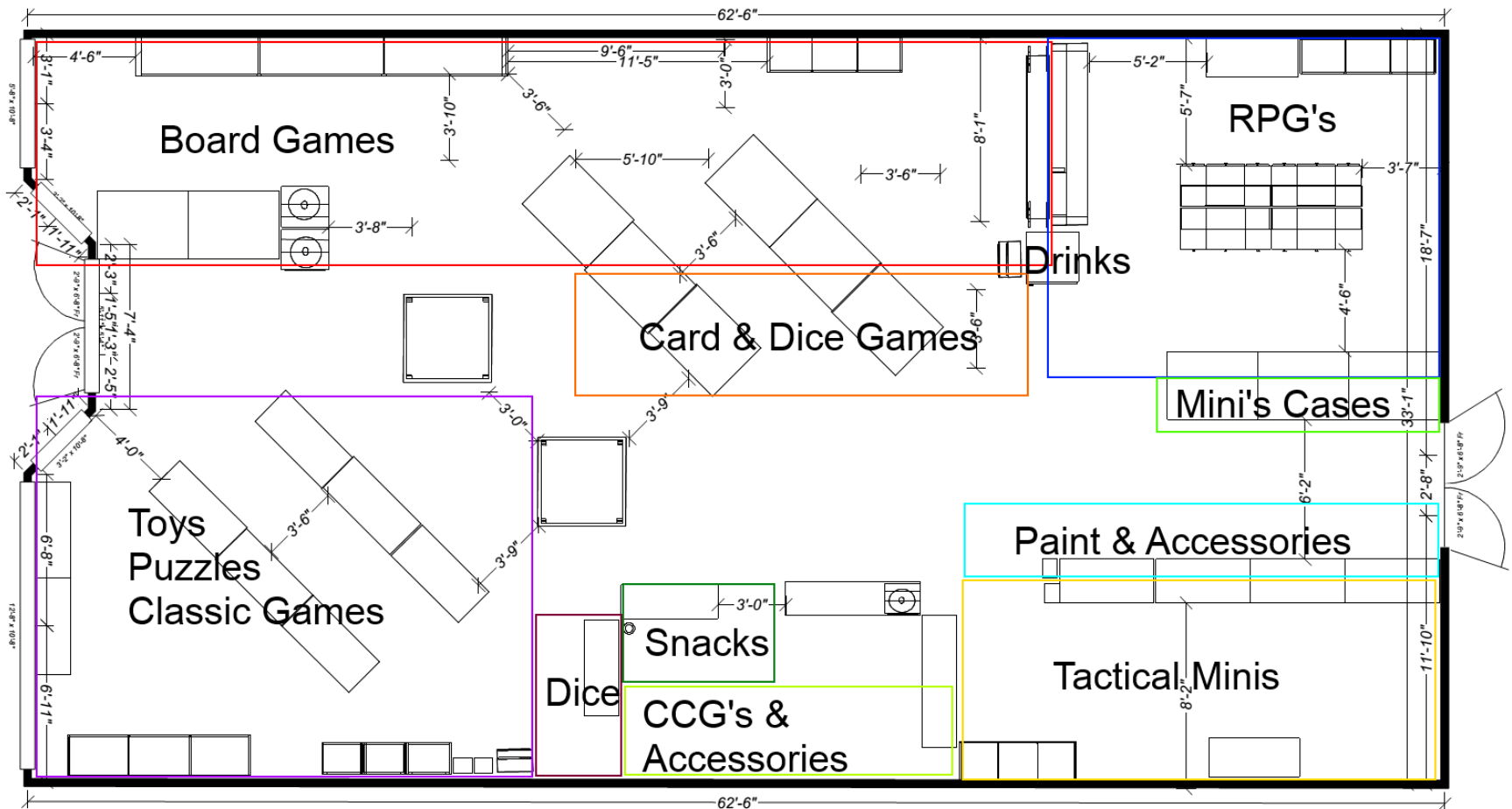
Class	Sales at Retail	Inventory Value	Turn Rate
Dinks and Snacks	\$ 21,322.50	\$ 2,161.63	9.9
Collectible Card Games	\$ 302,228.80	\$ 32,094.55	9.4
Board and Card Games	\$ 224,235.00	\$ 32,847.00	6.8
CCG Supplies	\$ 41,668.50	\$ 7,164.15	5.8
Dice	\$ 19,780.50	\$ 4,445.10	4.4
Role Playing	\$ 57,618.00	\$ 13,475.73	4.3
Miniatures	\$ 13,684.50	\$ 3,550.69	3.9
Magazines	\$ 2,373.00	\$ 625.05	3.8
Collectible Miniatures	\$ 15,712.50	\$ 4,452.58	3.5
Puzzles	\$ 5,019.00	\$ 1,438.80	3.5
Paint	\$ 25,552.50	\$ 7,873.90	3.2
Used Games	\$ 46,986.00	\$ 15,662.00	3.0
Miniature Cases	\$ 6,919.50	\$ 2,676.08	2.6
Tactical Miniature Games	\$ 90,401.60	\$ 37,546.36	2.4
Toys	\$ 5,534.40	\$ 2,922.40	1.9
Classic Games	\$ 10,993.60	\$ 5,868.89	1.9
	<b>\$ 890,029.90</b>	<b>\$ 168,936.02</b>	<b>5.3</b>



# Sales Per Square Foot

- Excellent for small stores
- Identifies lost opportunities
- Justifies high density marginal product

# Sales Per Square Foot



# Sales Per Square Foot





# Exceptions to the Rules

**“If all you have is a hammer,  
everything looks like a nail.”**

—Abraham Maslow



# Exceptions to the Rules

Top of Mind



=



# Exceptions to the Rules

## Cohesive Collections



# Exceptions to the Rules

## Rule of Seven





# Dumping Dead Product

- In-store clearance sections
- Online: Ebay and Amazon
- Conventions
- Donations to non profits (Toys for Tots)
- Trash and Recycling



# Summary

- Open to Buy
- Turn Rate Analysis
- Sales Per Square Foot
- Exceptions to the Rules

# Questions

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