

# Best Practices in Inventory Management for Today's Omni- Channel World



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# It Used to be Simple!?

Orders placed



Shipped from Supplier

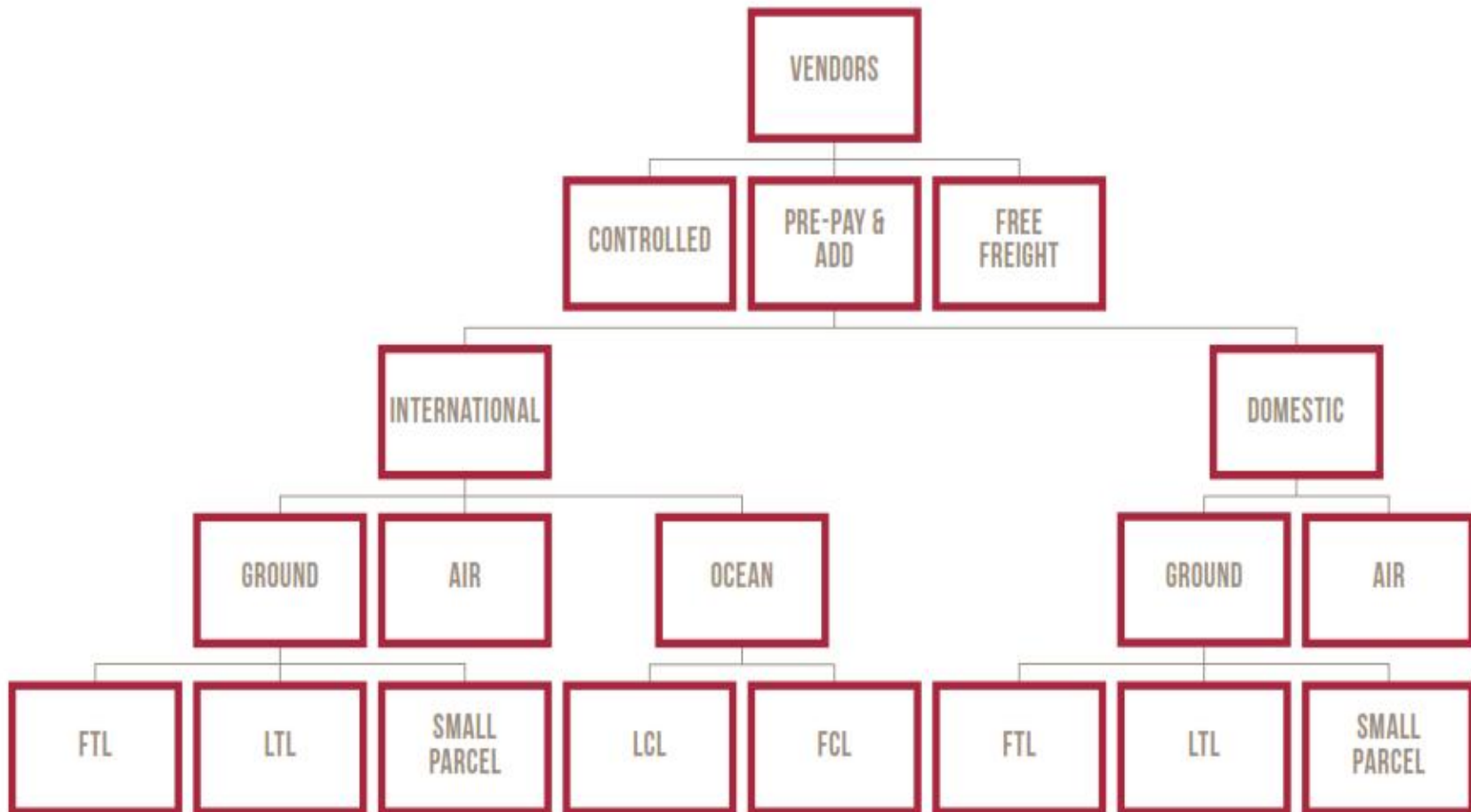


Received in One Warehouse

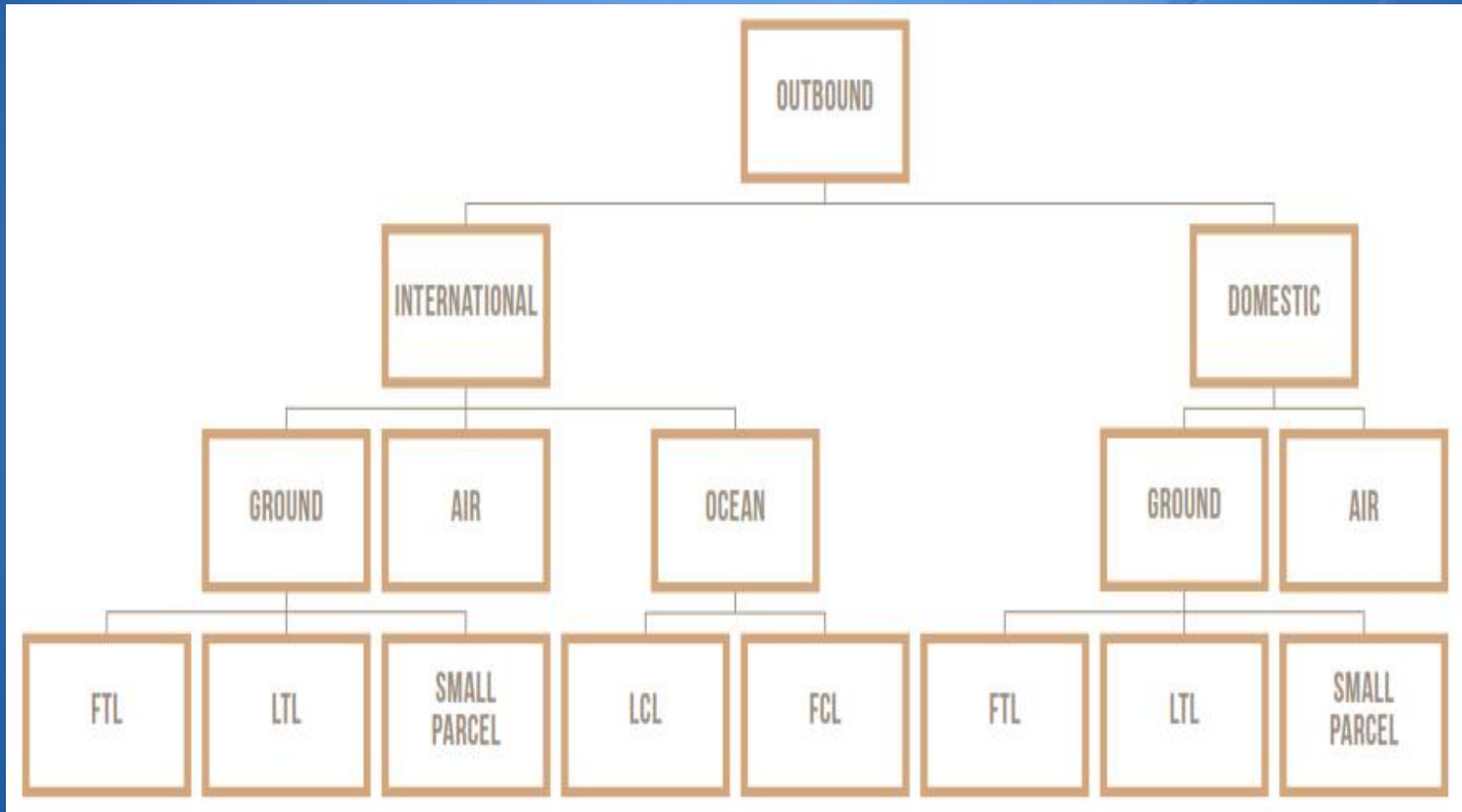


Shipped to Customer

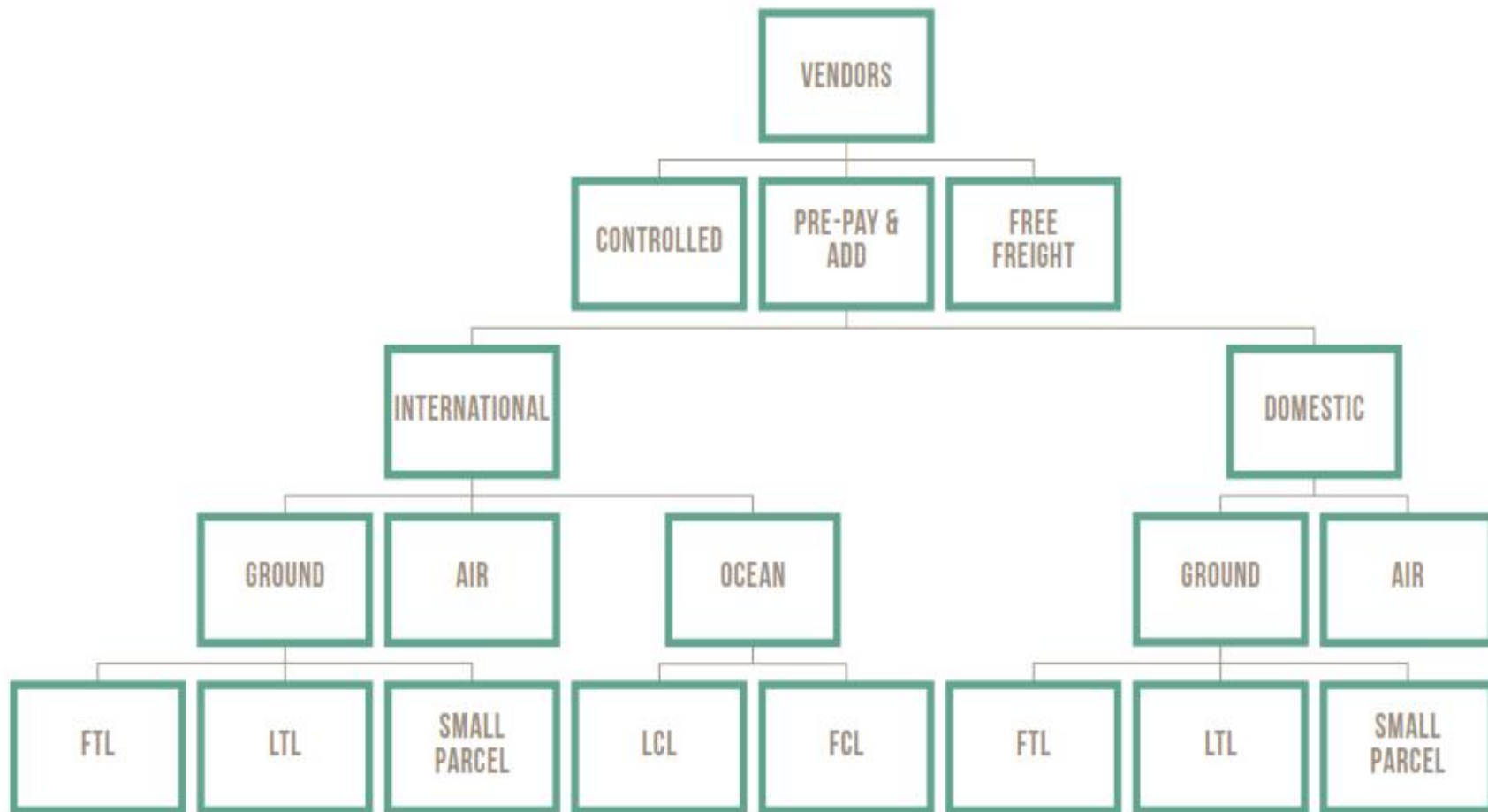
# Supply Chain - Inbound



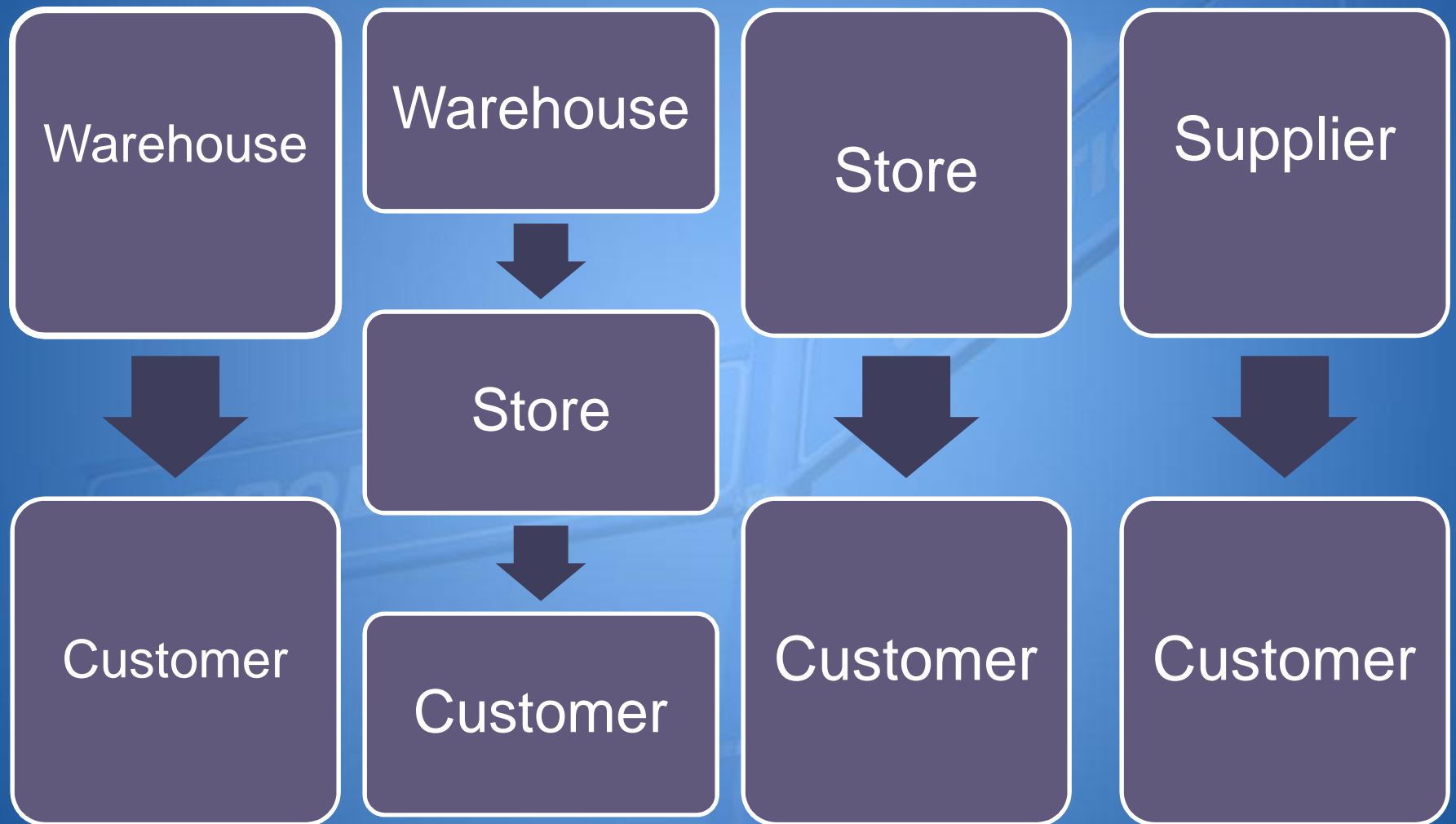
# Supply Chain - Outbound



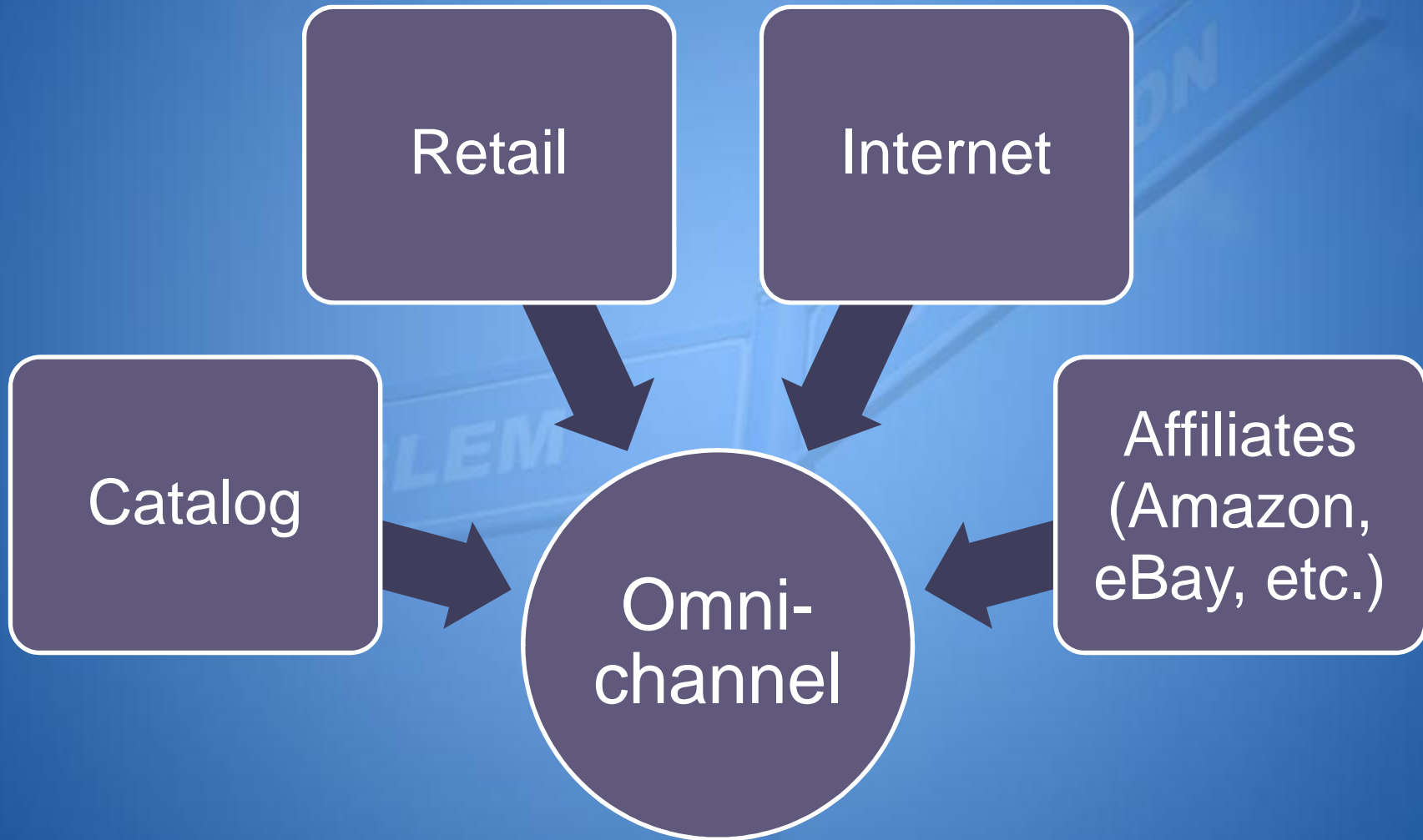
# Supply Chain – Drop Ship



# Consumer Supply Chain



# Demand/Sales Sources



**WITH ALL THE  
OMNI-CHANNEL SUPPLY  
CHAIN OPTIONS –**

**WHAT DO WE DO  
NEXT???**



**NOW  
PANIC  
AND  
FREAK  
OUT**



Relax, Breathe  
And  
No Need to Panic!!!

# What Next?

Back to Basics!!

Key Metrics

Communication

Planning

Improve Efficiencies

Understand Item Profit Implications

Identify - Act on Problematic Inventory

# Back to Basics

K.I.S.S.

Define and Use simple measures  
(create simple indexes)

Understand demand sources (will  
aid in planning/forecasting)

Eliminate/Reduce SILOS

# Key Metrics

**You can't fix what you don't measure!!!**

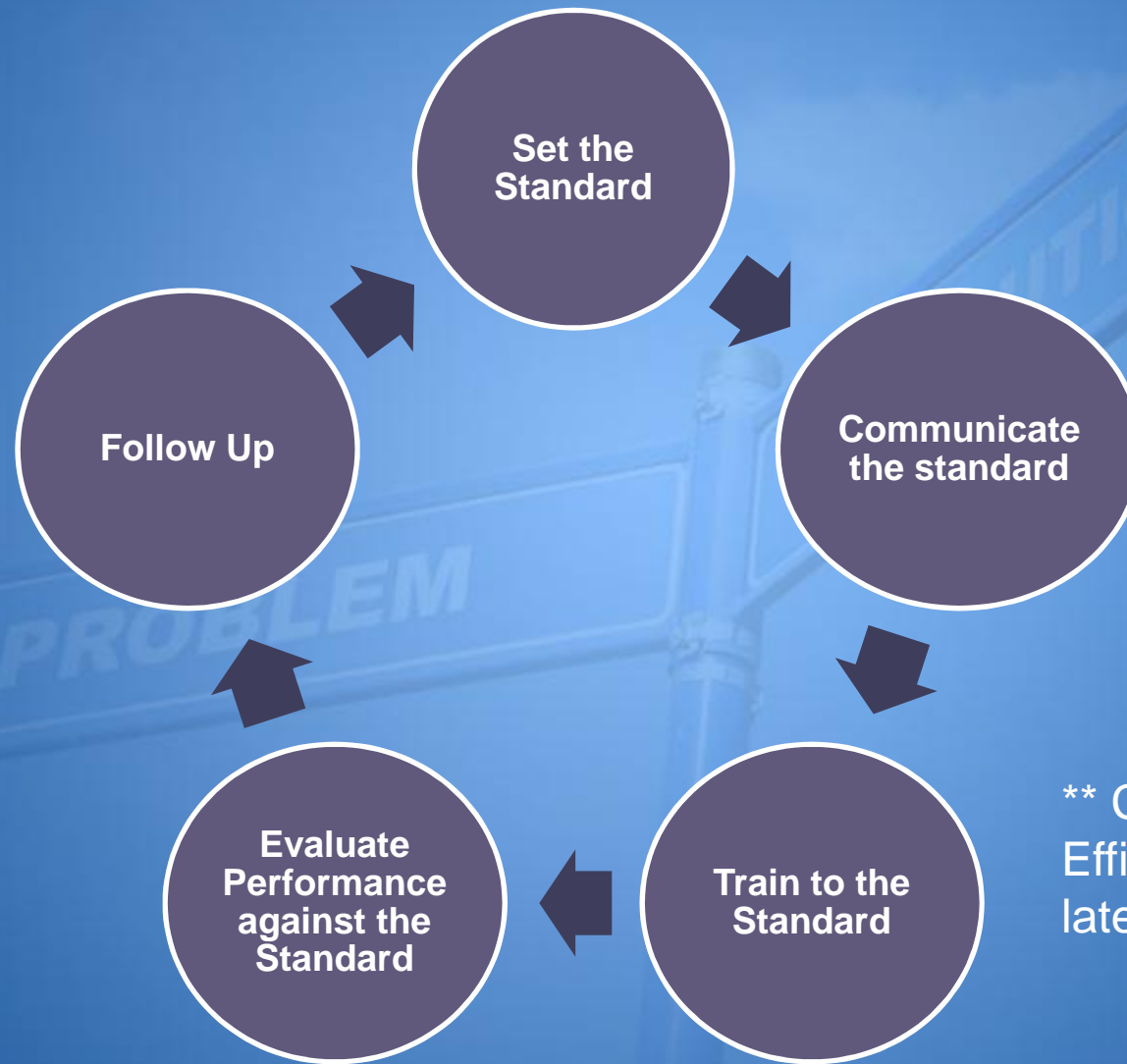
Define and Establish KPIs

Ensure consistency of reporting

Set realistic goals

Educate and gain consensus

# The Management Circle



\*\* Concept to Improve Efficiencies – later in presentation

# External Communication

Understand Supplier Cycles

Partner with Suppliers

Enforce Supplier Compliance

Be reasonable

- Don't create P&L for chargebacks

# Internal Communication

Keep it Simple

Make it Global

Make it Measurable

Provide Training & Coaching

Solicit feedback and ideas from the team

Recognize and Reward Performance



# Planning

Planning: Paramount Importance

Efforts yield improved forecasting & higher service levels across channels

Ability to be “proactive” to exceptions

Bottom line: improved control of inventory levels

# Creating Indices

Offer a Simplified Approach

Create a Reference Base of 1.0

Provide Management a Top Level Review

Establishes “Relationship” Analysis

# Simple Index Metrics Strategic Planning (Category) Level

## Performance Index (Aii at Category Level)

- $(\% \text{ of demand} / \% \text{ of items})$

## Space Index

- $(\% \text{ of demand} / \% \text{ of space})$

## Sell Ratio

- $(\text{Item percent of page} * \text{cost per page}) / \text{Projected item } \$\$ \text{ demand in Offer}$

## Average Item Index (Aii)

- $\text{Item Demand} / (\text{Projected Item } \$\$ \text{ Demand in Campaign} / \text{Number of items})$

## Net (Ad) Margin

- $\text{Initial Margin } \% - \text{Sell Ratio}$

# Improve Efficiencies

## Kaizen Process:

Definition: **Kaizen** (改善), Japanese for "improvement", or "change for the better" refers to philosophy or practices that focus upon continuous improvement of processes in manufacturing, engineering, and business management

# Applications

Can be Applied to any Process

- Internal Processes
- External Customer Processes, etc.

Steps:

- Identify Process Overview
- Review Work Flows
- Define Obstacles & Opportunities
- Prioritize Ideas (Impact/Difficulty)
- Set Objectives & Goals
- Measure and Report

# Inventory Kaizen

PROBLEM

# *Conditions*

Excessive Inventory

Large Warehouse Footprint (Some Needed for Production Growth)

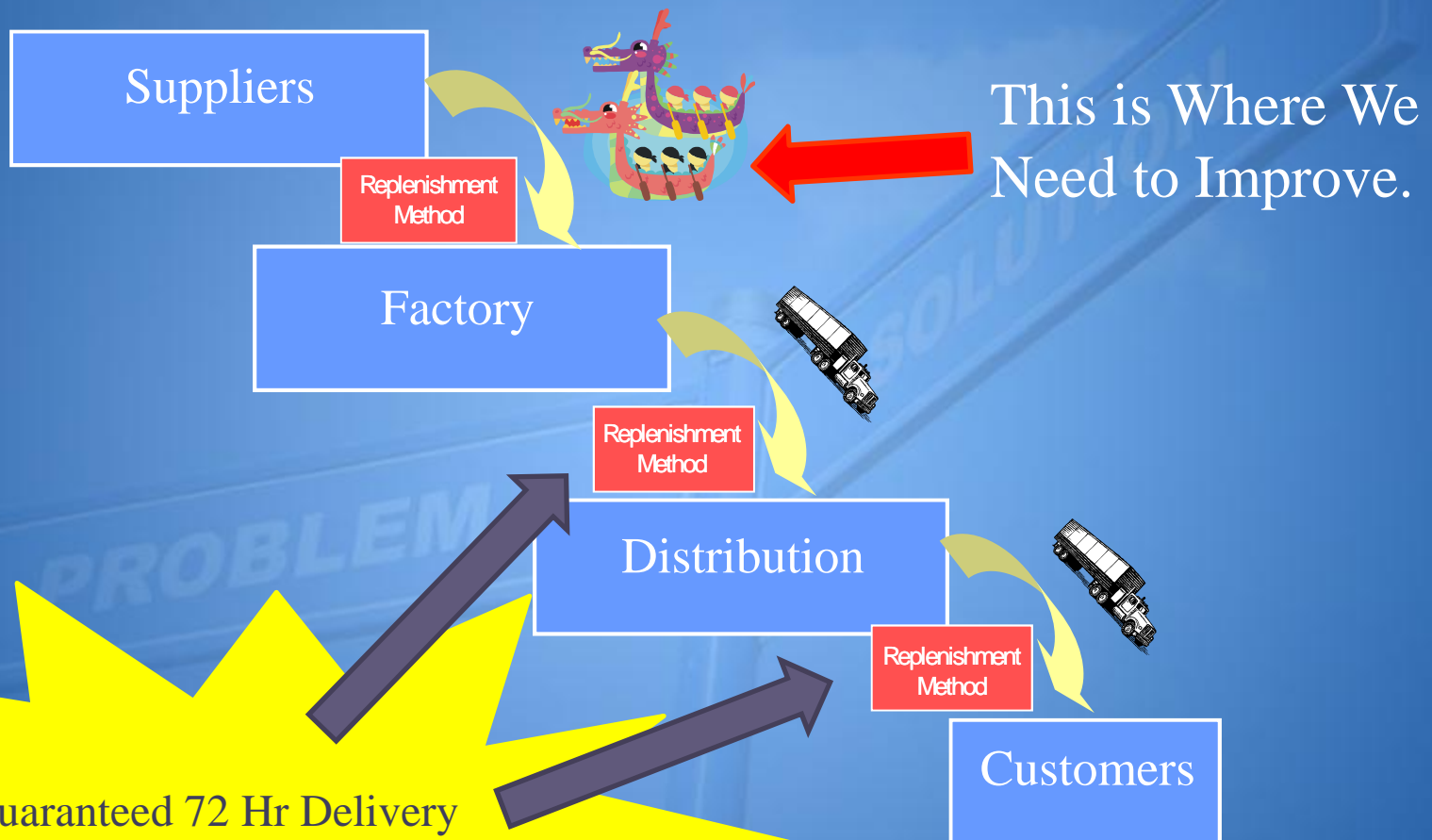
Low Inventory Turns

Excessive Borrowing In Order to Do Business

We are Spending an Excessive Amount on Outside Warehousing

“Don’t Worry, Mark Will Figure It Out”

# Replenishment Points in the Value Chain



Guaranteed 72 Hr Delivery  
We Are The BEST IN THE BUSINESS!!!



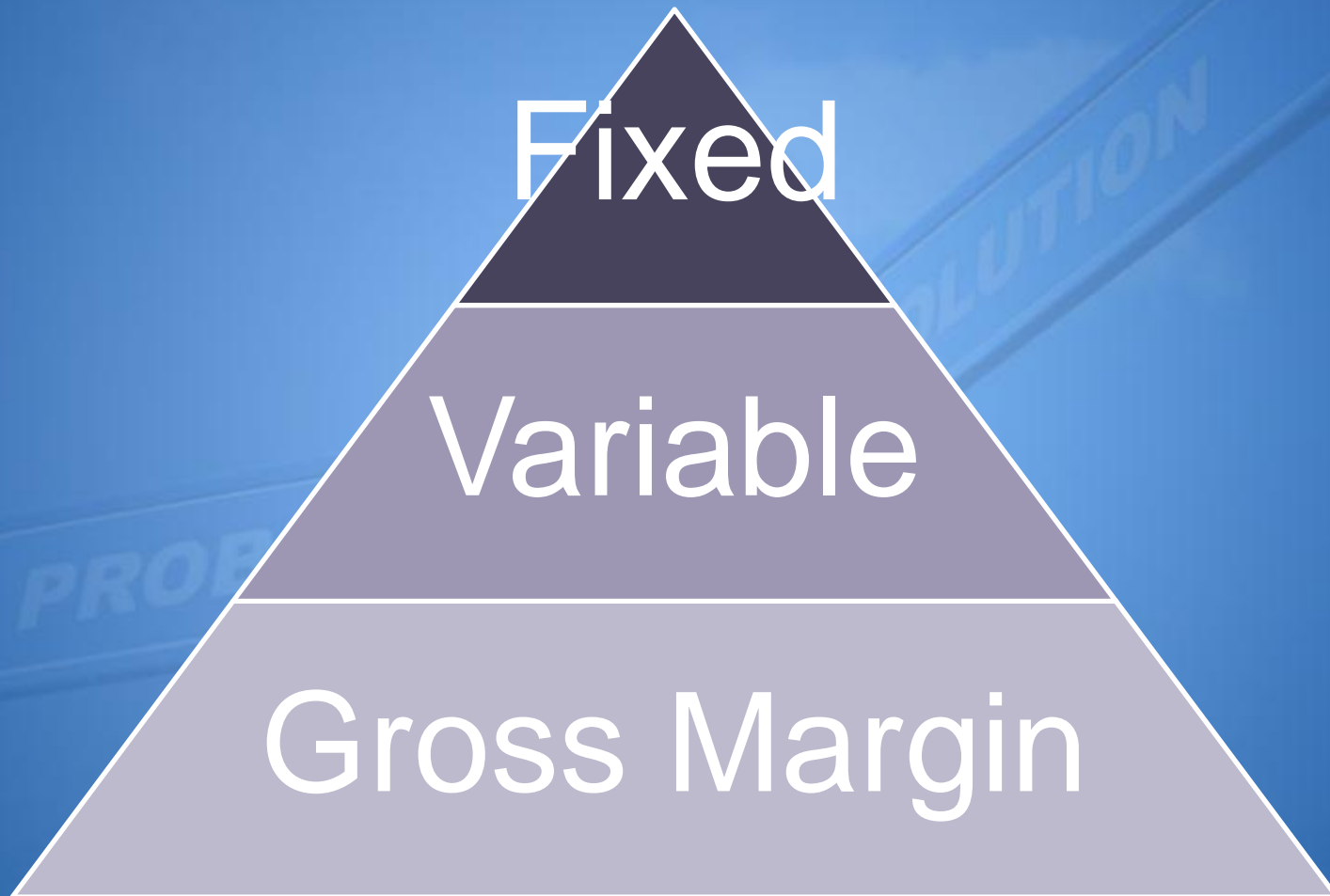
# Results

	Goals	1-3 Yr Implementation Plan
<b>Peak Inventory Total</b>	<b>30%</b>	<b>Within 1.5 Yrs.</b>
<b>Peak Borrowing</b>	<b>33%</b>	<b>1 Yr.</b>
<b>Inventory Turns</b>	<b>50%</b>	<b>2-3 Yrs.</b>
<b>Square Footage</b>	<b>50 K</b>	<b>10K Yr 1 Pending Business Decisions</b>

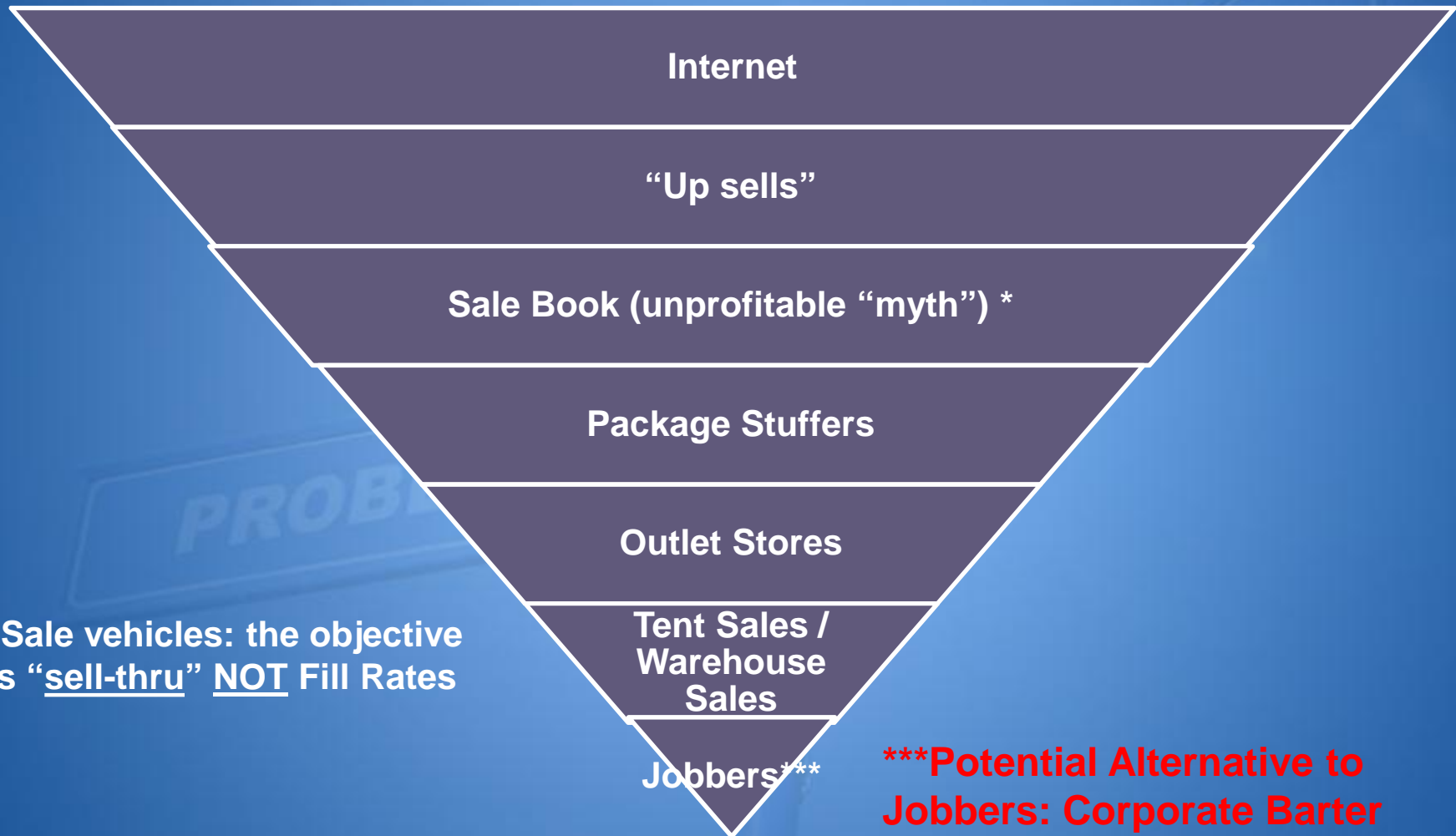
The background of the slide is a blue gradient. In the lower-left quadrant, there is a faint, semi-transparent image of a street sign on a pole. The sign is rectangular and contains the word "PROBLEM" in capital letters. The overall aesthetic is clean and professional.

# Item Profit Considerations

# Contribution Levels



# Problematic Inventory



\*Sale vehicles: the objective is "sell-thru" NOT Fill Rates

\*\*\*Potential Alternative to Jobbers: Corporate Barter

# What is Corporate Barter?

Corporate Barter is the exchange of goods and services for problematic corporate assets on a non-cash basis through the use of commercial Trade Credit (TC).

# Why a Barter Strategy?

Companies use barter for 4 main reasons:

Much higher value compared to cash liquidation

Protected redistribution of problem assets into non-competing channels

Reduced cash required to pay for competitively bid goods and services (e.g. domestic LTL/TL and international freight.)

Elimination of costly and unnecessary carrying costs for non-performing assets

\*\*\*White paper with additional details available and also on website:  
[www.gjmassociates.com](http://www.gjmassociates.com)

# Cardinal Rules of Business

Product is KING. Never compromise quality for costs or price.

Almost Right Now is Better than Exactly Right later.....”

A bad decision is better than no decision at all!

Do 1st things First, 2nd things NEVER!

Always tell the bad news first-never last

Invest your time with winners ... not losers.

Have fun doing what you're doing or find something else to do.

# Thank You!!!

## Questions????

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