

Inventory Analysis Overstocked Backlist

SIMPLE but COMPLEX, COMPLEX but SIMPLE – that’s the bookseller’s dilemma. It’s no more true than when it comes to making decisions about your inventory stock levels – SIMPLE, right? Lets say your store has 12,000 SKU’s (stock keeping units) in inventory – and you are responsible to make the right inventory stock level decision on each and every one of them – now that is COMPLEX!

A bookseller’s tendency is to review stock items from a printout or computer screen – individually reviewing each one at a time or in small groups. That’s a lot of decisions. Why not try to make 5 decisions that encompass all 12,000 SKU’s – you can – and it is pretty SIMPLE. Let’s take a look.

The example below is for product that has been in the store for over 12 months and has accumulated sales history for that period. Product fitting that criterion is commonly called backlist. However the same principles used here can also be applied to front list product (product with less than 6 months sales history), but some of the analysis parameters and criteria will need to be changed.

12 MO SALES	2.0 TURNS	2.5 TURNS	3.0 TURNS	3.5 TURNS	4.0 TURNS	4.5 TURNS	5.0 TURNS
1	1	1	1	1	1	1	1
2	1	1	1	1	1	1	1
3	2	1	1	1	1	1	1
4	2	2	1	1	1	1	1
5	3	2	2	1	1	1	1
6	3	2	2	2	2	1	1
7	4	3	2	2	2	2	1
8	4	3	3	2	2	2	2
9	5	4	3	3	2	2	2
10	5	4	3	3	3	2	2
11	6	4	4	3	3	2	2
12	6	5	4	3	3	3	2
13	7	5	4	4	3	3	3
14	7	6	5	4	4	3	3
15	8	6	5	4	4	3	3
16	8	6	5	5	4	4	3
17	9	7	6	5	4	4	3
18	9	7	6	5	5	4	4
19	10	8	6	5	5	4	4
20	10	8	7	6	5	4	4

In the table to the left, we present guidelines for stock levels based on sales over the last 12 months (left column) and the inventory turns a store wishes to achieve (top row). Our Best Practices suggestion is that stores set a goal to achieve 3.5 overall turns.

Using that criterion, we have highlighted 5 desired stock level points (middle of the table) based on 3.5 turns and 12 month sales history (left column). These five break points determine the five reports used to make decisions on all 12,000 SKU’s.

[Report #1] Sales =< 5 and OH Qty > 1

[Report #2] Sales =< 8 and OH Qty > 2

[Report #3] Sales =< 12 and OH Qty > 3

[Report #4] Sales =< 15 and OH Qty > 4

[Report #5] Sales =< 19 and OH Qty > 5

EXAMPLE: Report #1 – configure your POS system report generator to find all SKU’s with sales equal to or less than (= <) 5 with an on-hand quantity (OH Qty) greater than (>) 1. All items on this report will be overstocked! Each POS system will vary on how to set up and run these reports. In addition, you may wish to sort the results by department, publisher, vendor (source) or shelf category location.

Said in a different way – if you want to achieve 3.5 turns on backlist product and have more than 3 of anything on the shelf and are selling less than 12 of them – you are OVERSTOCKED. And so on ...