



When Should I Buy New Merchandise?

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Showing the latest and greatest product lineup is vital to flourishing in today's competitive environment. It allows you to keep your floor fresh and it keeps your store fashionable by exposing your customers to the "hottest items on the market".



Herein lies the challenge! Of these new items, only a small percentage are, in fact, "the hottest items on the market". Time and time again we see that 20% of these new items are "HOT" and 80% are "DOGS"!

The "HOT" items sell while the "DOGS" sit. If you have 80% of your items sitting when it comes to buying new again, what should you do? The answer seems obvious: Do not buy new at this time. However, I can tell you that in the field, we see the majority of furniture dealers completely ignoring this principle and buying new items, even though they have not sold or even displayed their "old new products".

This leads to the most costly of all situations, over-inventory and cash flow shortage. In fact, some companies go as far as buying new merchandise before they buy their best-sellers. Companies following these practices are never profitable in the long run. You should only buy new merchandise when you are at a sustainable inventory-to-sales ratio. That ratio is 15 to 20% inventory-to-sales, including reserved, damaged, and nail-downs, no higher!

When you are above this level, your open-to-buy for new products should be \$0. Until your inventory to sales ratio is below the 15 to 20% goal, you should only be buying proven best-sellers and special order merchandise, on which you have received a 50% customer deposit. By following this simple guideline and routinely using proper inventory management, merchandising, and aging systems you will get to try new merchandise more often and have greater cash flow than ever before!

Manage by the numbers and don't be emotional when it comes to inventory! Buy new merchandise at the right time! PROFIT*consulting* has a variety of systems and practices that are used by the most profitable and efficient furniture retailers. Please contact info@profitconsulting.net for further information.