

Inventory is an investment?

HA!

Getting Rid of Old Inventory

THE END

Thank You

David Geller

www.JewelerProfit.com

David@JewelerProfit.com

All slides can be downloaded at

→ <http://www.jewelerprofit.com/nationwide-jewellers.html>

Edge End of Year Reports

Shopkeeper Reports

Shop Advertising

Blog

Nationwide Jewellers

IJO

Instore Jewelry Show

TrainingVideos

HOME

Geller's Blue Book

Free 11 Page Sample

PRODUCTS

About Us

Calendar

Contact Us

Suggested Links

FAQ

Testimonials

5 Reasons for Distress

Worksheets

Microscope Camera

GMROI Worksheet

Items 4 Sale & Want 2 Buy

Stuller Advantage Weekend

Survey Results-Custom WK

David Geller JewelerProfit

Nationwide Jewellers
David's presentations are here

Below are the two presentations David did at the Nationwide Jewelelrs conference in Brisbane the weekend of May 3rd.

They are pdf files, just click, open and print. You'll need Adobe reader to open them, if you don't have Adobe reader, download a free copy here:

<http://get.adobe.com/reader/>

Notice: There is a "cehcked" box to download "google Chromse". if you don't wnat it, uncheck it first. Sneeky, aren't they?

David Geller

Click the links below

There is a difference

- There is a difference between *MAKING money and HAVING money!*
- Most jewellers only look at the sales numbers. “How much did I make selling this?”
- Wrong question and you get the wrong answer.
- You should be asking *THIS* question:

The correct question to ask:

What's the secret to **HAVING** money in a
jewellery store?



How to HAVE money in a jewelry store:

“The amount of owned inventory you should have in a jewelry store should not be any higher than the profits you received from selling that inventory in one year.”

“Memo” merchandise is not included in this answer, only inventory you own & special orders.

5 Reasons for financial distress in a jewelry store

1. More inventory in stock than you can sell in one calendar year.
2. Having the wrong price points.
3. Don't charge enough for your shop labor
4. Not enough store traffic
5. When the customers come in the staff lets most of them walk without buying

5 Reasons for financial distress in a jewelry store

These 3 can be readily fixed within 30 days.

- Don't charge enough for your shop labor
- Not enough store traffic
- When the customers come in the staff lets most of them walk without buying

5 Reasons for financial distress in a jewelry store

But these can take 6 months to a year to fix.
You must be diligent!

1. More inventory in stock than you can sell in one calendar year.
2. Having the wrong price points.

How to work the numbers

- We'll get to the ways to get rid of inventory shortly.
- A good Point of Sale program will get you the numbers you need.
- The number is called "Gross Margin Return on Investment" GMROI.
- Measures how well you handle ALL inventory, not just the inventory you sold.

How to work the numbers

- Get total store sales.
- Remove/subtract the following:
 - a. - Memo Sales
 - b. - All Shop Sales
 - c. - Scrap gold sales
- You should have left sales from the showcase including special orders from the showcase.
- Need to know the cost/profit from those sales.
- Average inventory on hand all year.

How to work the numbers

- Look at your “average” inventory level.
- It should be the same or lower than the gross profit number.
- If average inventory is lower than Gross Profit, you will have \$\$\$ and little debt.
- If average inventory is *higher* than gross profit, you will have less \$\$ and *more debt*.

Inventory over a year old

- Inventory over a year old is typically what kills cash flow in a store.
- Take a look at your inventory amount that is over a year old.
- “Typically” inventory total over 1 year old is equal to, within 15-20%, of your TOTAL debt!
- DEBT= Credit cards/accounts payable/bank loans/money the owner loaned to the company.

Story of 2 Stores

- Which would rather be the owner of?
- \$3.2 million in sales
- \$2.4 million in sales

Story of 2 Stores

- Store “A”
- \$3.2 million in sales
- Owner’s Pay = 10% of sales
- 2 owners = \$160,000 a year each

Story of 2 Stores

- Owner's took a cut in pay of 50%, down to \$80,000 each down from \$160,000.
- Both wrote Visa checks to the store for \$60,000 each.
- Had large debt
- Now are you jealous?

Story of 2 Stores

- Store “A”
- Inventory level = \$1.8 million
- Turn of .33
- 3 years age of inventory
- (Divide 365 by your turn. Equals 1106 days)
- GMROI of about 38 cents
- Jealous now?

Story of 2 Stores

- Store “B”
- Sales of 2.4 million
- Owner’s pay \$275,000, almost 12%
- Worked 3 days a week
- 13 acre home.
- Spent winters in sunny Phoenix.

Story of 2 Stores

- Store “B”
- \$2.4 million in sales
- Margin 47%
- Inventory \$780,000
- Turn 1.55
- GMROI \$1.99

Story of 2 Stores

- Which store had a better selection?

Inventory Level


Store "A"	\$1,800,000
Store "B"	\$780,000

This is how inventory should move in a jewelry store

Bought	Amount	Sold	Amount	Profit
Jan 2007	\$100	Dec 2007	\$200	<i>\$100</i>
Jan 2008	\$100	Dec 2008	\$200	<i>\$100</i>
Jan 2009	\$100	Dec 2009	\$200	<i>\$100</i>
This is a turn of "1" per year. Total profit				<i>\$300</i>

Could This Be *YOUR STORE*?

Bought	Amount	Sold	Amount	Profit
Jan 2007	\$100	Dec (no) 2007	0	0
Jan 2008	0	Dec (no) 2008	0	0
Jan 2009	0	Dec 2009	\$200	\$100
How much profit did they make in 3 years?				???



This *YOUR STORE*

Bought	Amount	Sold	Amount	Profit
Jan 2007	\$100	Dec 2007	0	<i>0</i>
Jan 2008	0	Dec 2008	0	<i>0</i>
Jan 2009	0	Dec 2009	\$200	<i>\$100</i>
This is a turn of “.33” per year. Total profit Should have brought in \$300, lost \$200 waiting				<i><\$200></i>

Managing Inventory Give you More \$\$\$\$\$\$\$\$\$\$\$\$

Bought	Amount	Sold	Amount	Profit
Jan 2007	\$100	Dec 2007	0	0
Jan 2008	0	Apr 2008	160	60
April 2008	100	Dec 2008	\$200	\$100
This is a turn of "1" per year. Total profit brought in \$60 more. If it sells and then rebuy in December:				\$160
Jan 2009		Dec 2009	\$200	+\$100
Discounting and moving on gives you more money! 60% more. Still OK even if sold at COST!				\$260.00

The only way to make the OLD inventory in previous example compete with newer inventory

- \$100 cost item sells for \$200.
- Turning once a year brings in \$300 in profits over 3 years.
- If it *TAKES* 3 years to sell you only made \$100 (that's \$33 a year).
- To make that \$200 piece make up for lost time you'd have to double the selling price to \$400 (to make a profit of \$300 over 3 years).
- Remember, it's a dog, who'll buy it for double?

Inventory Facts

- Sales for items you buy typically move like this:
 1. 56-78% of what you buy sells within 6 months of placing it in the showcase and usually is less than 50% of your total inventory.
 2. 12-20% of total sales comes from inventory you've had for over 1 year and can be 40-70% of your total inventory
 3. Once inventory hits its 18th month birthday it has an 80% chance it will celebrate its five year birthday with you.

Difference between “making” money and “having” money

- You buy ten \$300 rings from a vendor.
- They sell for \$625.00
- You’ve invested \$3000 (10x\$300=\$3000)

- You sell 3 in a year:

$$3 \times \$625 = \$1875.00$$

$$\underline{\text{Costs (3x\$300)} \quad \$900.00}$$

$$\text{Gross Profit} = \quad \$975.00 \quad 52\% \text{ margin!}$$

Difference between “making” money and “having” money”

- Sales = \$1875.00, margin = 52%
 - Accounts Payable Debt from buying= \$3000.00
 - You don't have enough sales to pay the vendor!
 - So what do you do?
1. Have High Accounts Payable
 2. Bank Loans
 3. Credit Cards
 4. Loan from Owner
 5. How about skipping a paycheck or 2? “Take one for the gipper”

Remember the beginning (or The End?)

“The amount of inventory you should have in a jewelry store should not be any higher than the profits you received from selling that inventory in one year.”

Run your store like a clothing store.
They are closer to a jeweller than you'd
expect

Its all about the numbers

jewelry Store		Clothing Store	
Margin	42.2	Margin	48.1
Turns per year	1.5	Turns per year	3.6
GMROI	\$1.10	GMROI	\$3.34

Source: www.RetailOwner.com

21 Ways to Get Rid of Old Inventory & Finally Have Money

1. RETURN TO VENDOR:

Have on all invoices you buy “If doesn’t sell in 1 year it can be returned/exchanged for other products”.

Expect to have a 2 to 1; 3 to 1 buy. Vendor has to make \$\$ too.

If you’re returning \$10,000 and during the year buy \$40,000, really not such a big to do.

21 Ways to Get Rid of Old Inventory & Finally Have Money

2. ALWAYS HAVE A SHOWCASE OF OLD:

Call it:

“Extreme Value Case”

“Good bye to our old friends”

“Melvin’s buying mistakes”

Discount from the case 30-70% of tagged price, based upon age:

14-20 months	25%
21-36 months	40%
Over 3 years	70%

Sits no more than 6 months in the this case.

21 Ways to Get Rid of Old Inventory & Finally Have Money

3. Use commission or spiffs to get the sales staff to move it

*Usually 60% of new 6 month old merchandise moves fast because *everyone is excited* about it.

*To get the staff to show and sell it, pay them to!

*Double or triple your commission on old merchandise. (continued)

21 Ways to Get Rid of Old Inventory & Finally Have Money

3. Use commission or spiffs to get the sales staff to move it

If you've never tried commission before, now's the time.

Give 5% of the selling price, regardless of profit to move old merchandise.

21 Ways to Get Rid of Old Inventory & Finally Have Money

4. Split the profit over your cost with the staff.

If it costs \$500 and is tagged for \$1000, if they sell it for \$650, split the \$150 in profit with them.

They get \$75 to move it out. (that's 11% commission!)

Or put 5-10% of sales from this showcase in a pool and split it with the staff once a month.

21 Ways to Get Rid of Old Inventory & Finally Have Money

5. Use old inventory as bait to buy newer pieces.

“Buy anything in these cases and you get to choose anything in this “Extreme Value” case for FREE!”

21 Ways to Get Rid of Old Inventory & Finally Have Money

6. Get serious about making the discounted sale being a deal. Just get your money .

Instead of selling at 1/3rd OFF, try “buy this ring and we’ll give you these earrings for free.” Discount is amount to your cost but you get a check for the full amount.

21 Ways to Get Rid of Old Inventory & Finally Have Money

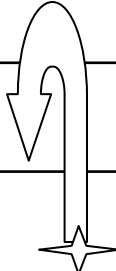
7. Lower the retail price to bring it into a lower price point, if you need those price points.

Tagged at a lower price point is different than a discount. Brides aren't proud to have gotten her ring from the discount case.

21 Ways to Get Rid of Old Inventory & Finally Have Money

7. Lower the retail price to bring it into a lower price point, if you need those price points.

Price Points	QTY Sold	QTY in Stock
\$1-\$99	16	18
\$100-\$249	7	→ 3
\$250-\$399	4	14
\$400-\$599	3	8
\$600-\$999	2	6
<i>Totals</i>	32	49



21 Ways to Get Rid of Old Inventory & Finally Have Money

8. Showcase one old item each week in as special showcase. Some folks discount it, some don't.

Show it right when you come in the front door.

Have sales staff WEAR & show the item of the day.

21 Ways to Get Rid of Old Inventory & Finally Have Money

9. Email blast to your customer list your “Deal of the Day”. Its from your special case.

You can do it yourself with an email marketing company.

www.icontact.com

www.constantcontact.com

21 Ways to Get Rid of Old Inventory & Finally Have Money

10. Email blast to your customer list your “Deal of the Day”. Its from your special case.

www.dealsucker.com sends out “Deal of The Day” emails to *their list*.

Cost? 5% of sales and lower, depending upon total sales.

Stays as deal until sold.

21 Ways to Get Rid of Old Inventory & Finally Have Money

[Bookmark It!](#) | [Link to Us](#) | [FAQ](#) | [My Page](#) | [My DealSucker](#) | [Register!](#)



The **obvious** choice
for email marketing

easy

HOME CASHBACK REVIEWS FORUM HOT DEALS LOCAL DEALS NEW

Ginsu Kotta 20 Piece Stainless Steel...
Price: ~~\$54.99~~ \$35.99

2.26ct Garnet Ring and Earring Set in...
Price: ~~\$135.00~~ \$19.99

Pollenex 5-Setting Massaging Spa Shower Head
Price: ~~\$49.99~~ \$9.99

DEAL OF THE DAY REAL-TIME MONITORING

HOT DEALS

BY SITE CATEGORY:

CUSTOMIZE AUTOREFRESH



JeanRichard 450161111AAA6D TV Screen XL Retrograde Men...

★★★★★ Deal age: 6h 00m

JeanRichard ¶ 45016-11-11A-AA6D ¶ JeanRichard TV Screen XXL Retrograde Automatic Watch Stainless Steel Black Dial on Black Strap 45016-11-11A-AA6D Price: \$1,650

Compare [Amazon](#) [Froogle](#) [eBay](#) [BarqainSucker](#) [Discuss](#) →

Price: ~~\$5500.00~~

\$1,375.00

Free Shipping



NEW Philips 4' HDMI Cable - 2 Pack

★★★★★ Deal age: 6h 1m

Experience the ultimate in high definition TV with the Pro Series 4u2019 HDMI Cable. This HDMI cable features quality materials and construction including 24k gold plated connectors, a 99.97% oxygen-free copper core, and dielectric insulation for an optimized signal. And...

[2 Extras](#)

Compare [Amazon](#) [Froogle](#) [eBay](#) [BarqainSucker](#) [Discuss](#) →

meijer

Price: ~~\$49.99~~

\$11.99

21 Ways to Get Rid of Old Inventory & Finally Have Money

11. Exchange goods with fellow jewelers.

What's old in your town might be new in mine.

Perfect if you're in a buying group

21 Ways to Get Rid of Old Inventory & Finally Have Money

12. Resell through a closeout dealer

This vendor shows a “closeout booth” at major trade shows.

You get 65% of the selling price. No upfront fees.

21 Ways to Get Rid of Old Inventory & Finally Have Money

12. Resell through an overstock dealer

21 Ways to Get Rid of Old Inventory & Finally Have Money

13. Use Facebook to sell deals of the day as well as showing off new items.

Start using Social Media to sell anything in the store.

- Where to start?
- In Google type “39 social media tools”
- Good site I found:
www.hubspot.com

21 Ways to Get Rid of Old Inventory & Finally Have Money

14. Take the items apart and scrap it for cash.

At this point (at least 18 months old & older) you can't make any money. Just get CASH!

21 Ways to Get Rid of Old Inventory & Finally Have Money

15. Take the items apart and send scrap to a findings house for credit against your bill. Most all will do that.

Big time cash flow saver, especially if you're a good sized shop.

Sell melee to a dealer

21 Ways to Get Rid of Old Inventory & Finally Have Money

16. Exchange/Trade/Barter

- *Morning radio shows
- *Magazines
- *Barter for other things you'd like
- *Advertising

www.itex.com

21 Ways to Get Rid of Old Inventory & Finally Have Money

17. Take the items apart and send scrap to a findings house for credit against your bill. Most all will do that.

Big time cash flow saver, especially if you're a good sized shop.

21 Ways to Get Rid of Old Inventory & Finally Have Money

18. Take the items apart and send to trade shop and remake your old dogs into saleable bread & butter items.

Make new bread and butter items, things that sell day to day.



21 Ways to Get Rid of Old Inventory & Finally Have Money

18. Take the items apart and make



21 Ways to Get Rid of Old Inventory & Finally Have Money

19. Give away Gemstone inventory and gems that came out of rings you scrapped.

*Put stones in plastic round boxes. Tag with retail.

*Put in gift bags with tissue paper.

*Put all around showroom floor.

*1 free per custom, no strings attached

21 Ways to Get Rid of Old Inventory & Finally Have Money

19. Give away Gemstone inventory and gems that came out of rings you scrapped.



- *Have remounts available
- * No strings attached
- * One jeweler did \$88,000 in 3 days in remounts giving away old/dead gemstones that he had for YEARS!

21 Ways to Get Rid of Old Inventory & Finally Have Money

20. Gemstone Roundtables.

*Special Invite to special customers.

Evening event, finger food.

*Gemstone expert showcases each stone & passes it around. Have some of your stones in there as well.

*Typically 18 customers. $\frac{3}{4}$ pay for stones right there. Appointments are made for later.

\$18,000 to \$25,000 evening.

21 Ways to Get Rid of Old Inventory & Finally Have Money

21. Charity Event (David's Favorite!)

- Separate the store, old inventory on one side.
- Similar to charity event you've been to where you bid on items.
- Biz size card at each piece in case. Starting bid is 5% below your cost.

21 Ways to Get Rid of Old Inventory & Finally Have Money

21. Charity Event

- Advertise to customers and public.
- Customers buy a numbered bid card for \$5.
- They put that number and their \$\$ bid on the bidding card.
- Some stores have added “Buy it now!” to card.
- Event runs 1 week or less. Sales ends Sat @ 2:00pm.

21 Ways to Get Rid of Old Inventory & Finally Have Money

SKU No: 123-87655 14kt BI Sapphire rings, 4-.08 ct sapphires with 8 pear shaped diamonds, 1/2 ct t.w.

Retail: \$1000 Starting bid: \$450.00

Bid # Bid Amount

_____ \$ 459

_____ \$ _____

_____ \$ _____

_____ \$ _____

21 Ways to Get Rid of Old Inventory & Finally Have Money

Bid Card # 12345

Your

Name

Street:

City, State, ZIP:

Phones (H)

(O)

©

When bidding, please use your bid number.

Rules of the auction are:

21 Ways to Get Rid of Old Inventory & Finally Have Money

21. Charity Event

- Also ask vendors to old send items to you at their cost.
- The charity gets 10% of the take on Saturday and all of the \$5 bid card sales.
- Highest bigger gets the deal. Call Monday to next higher bidder to see if they want it.

21 Ways to Get Rid of Old Inventory & Finally Have Money

21. Charity Event: RESULTS

- Charity gets 10% of sales & the \$5 for bid cards.
- Store has largest sale day all year including December.
- 42% margin
- Sells better than 75% of their stuff, once a year.

21 Ways to Get Rid of Old Inventory & Finally Have Money

21. Charity Event: When its over

- When its over you can't put this stuff in the case.
- Send in for scrap
- Get it out of the store
- Give to a charity
- "It's OUTAHERE!"

THE BEGINNING

“The amount of owned inventory you should have in a jewelry store should not be any higher than the profits you received from selling that inventory in one year.”

THE BEGINNING

Work on this every week. Result?

- Higher sales
- Fresher products that sell
- Less Debt
- Higher checking account balance

Have a great year!

- David Geller
- www.JewelerProfit.com
- (404) 255-9565 (18 hours behind)
- David@JewelerProfit.com

