# THE BIG NETWORK™

A PROGRAM TO FACILITATE COLLABORATION

# Which KPI's matter most?

- ☑ Sales Growth, Dollars
- ☑ Sales Growth, Units
- ☑ Turnover Rate
- ☑ Percentage of Aged Inventory

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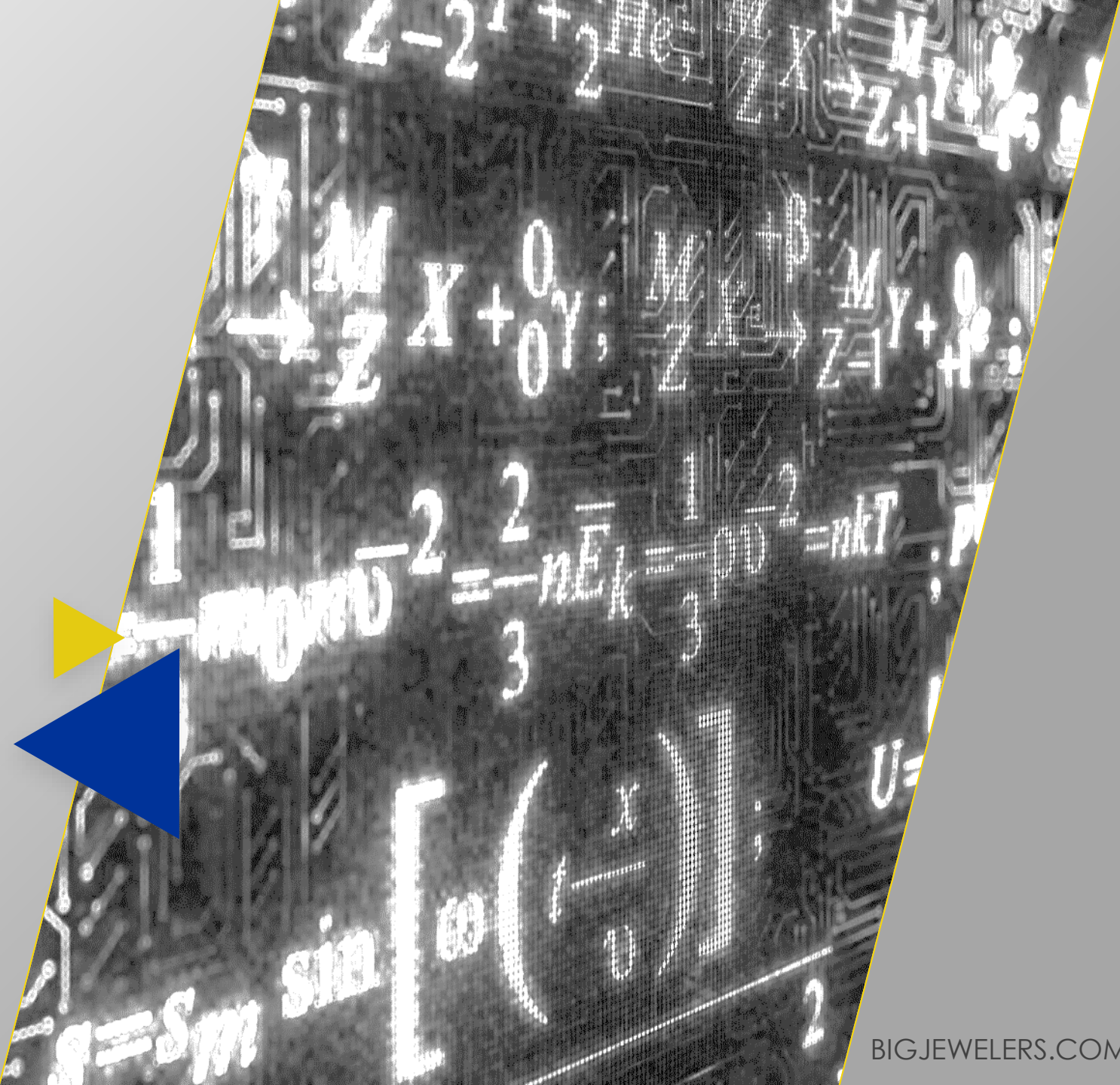
# Sales Growth

- Growth by dollars relates to increased profit for retailers

- Growth by units relates to an increased volume of business

- Dollar sales growth without unit sales growth indicates higher item tickets/profits but less customers engaged

- Unit sales growth without dollar sales growth indicates more product demand but at a lower ticket price and with less gross profit

# Sales Growth

**BALANCE TO BUY™**

Retailer Analysis Report for SAMPLE VENDOR Created 03/24/2023

Sales between 01/01/2020 and 12/31/2022.

Categories: All, Retailers: SAMPLE RETAILER, Store Number: All, Metal: All, TranType: All, Ownership: All

| Retailer | | Period | SALES Units | COST OF GOODS Cost | Avg Cost | INVENTORY Cost Onhand | Units | Avg Cost OH | TURN OVER | AGED Cost | Units | %Aged |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retailer 1 | | 2022 | 1,075 | $336,697 | $313 | $216,753 | 588 | $369 | 1.55 | $19,058 | 73 | 9% |
| Retailer 1 | | 2021 | 1,161 | $323,539 | $279 | $251,640 | 817 | $308 | 1.29 | $1,410 | 8 | 1% |

This retailer sold fewer units at a higher average cost, which caused their dollar sales volume between 2021 and 2022 to increase

**BALANCE TO BUY™**

Retailer Analysis Report for SAMPLE VENDOR Created 03/24/2023

Sales between 01/01/2020 and 12/31/2022.

Categories: All, Retailers: SAMPLE RETAILER, Store Number: All, Division: All, TranType: All, Ownership: All

| Retailer | | Period | SALES Units | COST OF GOODS Cost | Avg Cost | INVENTORY Cost Onhand | Units | Avg Cost OH | TURN OVER | AGED Cost | Units | %Aged |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retailer 2 | | 2022 | 649 | $294,069 | $453 | $194,043 | 335 | $579 | 1.52 | $44,587 | 56 | 23% |
| Retailer 2 | | 2021 | 619 | $354,068 | $572 | $178,299 | 295 | $604 | 1.99 | $41,710 | 56 | 23% |
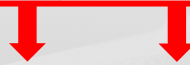
This retailer's dollar sales went down between 2021 and 2022, but their unit sales volume increased by approximately 5%

**Of the two, dollar increases are preferable, but an increase in unit volume can correlate to additional traffic to your brand's case, which indicates increased interest from customers and/or sales associates**

# Turnover

- Turnover relates to the efficiency at which inventory generates sales

- If turn is too low, the inventory is not generating enough sales to warrant the current inventory levels

- If turn is too high, the business is not being properly fed and money is being left on the table

- There is no "correct" turn level, but the industry standard is at least a one-time turn over one year

# Turnover

**Retailer Analysis Report for SAMPLE VENDOR Created 03/24/2023**
Sales between 01/01/2019 and 12/31/2022.
Categories: All, Retailers: SAMPLE RETAILER, Store Number: All, Metal: All, TranType: All, Ownership: All

| | | SALES | COST OF GOODS | | INVENTORY | | | TURN OVER | AGED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retailer** | | Period | Units | Cost | Avg Cost | Cost Onhand | Units | Avg Cost OH | | Cost | Units | %Aged |
| Retailer 1 | | 2022 | 301 | $238,956 | $794 | $62,148 | 89 | $698 | 3.85 | $8,622 | 10 | 14% |
| Retailer 1 | | 2021 | 94 | $63,535 | $676 | $73,669 | 79 | $933 | 0.86 | $18,589 | 20 | 25% |

This retailer went from a reasonable turnover to a very high turnover, indicating that sales are outpacing replenishment - there is an opportunity to maximize sales growth with more product, and the vendor and the retailer are both leaving money on the table if they do not expand the inventory to slow the turn and feed the business.
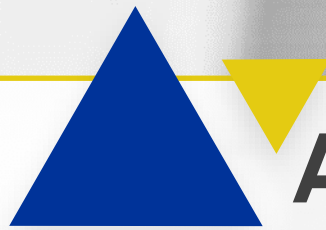
**Retailer Analysis Report for SAMPLE VENDOR Created 03/24/2023**
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Categories: All, Retailers: SAMPLE RETAILER, Store Number: All, Metal: All, TranType: All, Ownership: All

| | | SALES | COST OF GOODS | | INVENTORY | | | TURN OVER | AGED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retailer** | | Period | Units | Cost | Avg Cost | Cost Onhand | Units | Avg Cost OH | | Cost | Units | %Aged |
| Retailer 2 | | 2022 | 1,042 | $740,112 | $710 | $1,192,308 | 1,207 | $988 | 0.62 | $228,986 | 201 | 19% |
| Retailer 2 | | 2021 | 787 | $512,485 | $651 | $500,180 | 512 | $977 | 1.02 | $107,488 | 99 | 21% |

This retailer went from a reasonable turnover to a low turnover, indicating that the current inventory is not generating sales as efficiently and therefore not earning its space in the case or the budget – there is a need for further analysis to determine if over-inventoried or unproductive styles/categories/price points are dragging down turnover and must be exited, or if the business in general has slowed due to a lack of interest from customers and/or sales reps or a competing brand claiming market share.

# Aged Inventory

- Aged inventory relates to the amount of time current unsold inventory has been present in the case

- The industry standard for aged inventory is product that has not been sold from a case within 365 days

- If there is too much aged inventory, your case runs the risk of becoming stale

- If you take back aged inventory without analyzing its special order productivity, you run the risk of forfeiting future sales

# Aged Inventory

**Retailer Analysis Report for SAMPLE VENDOR Created 03/24/2023**
Sales between 03/25/2022 and 03/24/2023.Stock as of 03/24/2023
Product Division: All, Retailers: SAMPLE RETAILER, Store Number: All, Metal Type: All, TranType: All, Ownership: All

| Retailer | | SALES | COST OF GOODS | | INVENTORY | | | TURN OVER | AGED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Units | Cost | Avg Cost | Cost Onhand | Units | Avg Cost OH | | Cost | Units | %Aged |
| Retailer 1 | | 487 | $976,468 | $2,005 | $630,038 | 507 | $1,243 | 1.55 | $515,340 | 423 | 82% |

This retailer has a high percentage of aged product, but not all aged inventory is problematic.

**Styles Analysis Report for SAMPLE VENDOR Created 03/24/2023**
Sales between 03/25/2022 and 03/24/2023.Stock as of 03/24/2023
Product Division: All, Retailers: SAMPLE RETAILER, Store Number: All, Metal Type: All, TranType: All, Ownership: All

| Parent Style | Sku Number | SALES | | COST OF GOODS | | INVENTORY | | | TURN OVER | AGED | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Avg DTS | Units | Cost | Avg Cost | Cost Onhand | Units | Avg Cost OH | | Cost of Aged | Units | %Aged Stock | AVG DOH |
| Style 1 | Style 1 - 1/2 RG | 0 | 1 | $2,095 | $2,095 | $1,945 | 1 | $1,945 | 1.08 | $1,945 | 1 | 100% | 597 |
| Style 1 | Style 1 - 1/2 YG | 0 | 2 | $3,890 | $1,945 | $0 | 0 | $0 | 2.00 | $0 | 0 | 0% | 0 |
| Style 1 | Style 1 - 1/2 WG | 0 | 5 | $9,725 | $1,945 | $1,945 | 1 | $1,945 | 5.00 | $1,945 | 1 | 100% | 366 |
| Style 1 | Style 1 - ET YG | 0 | 2 | $6,490 | $3,245 | $0 | 0 | $0 | 2.00 | $0 | 0 | 0% | 0 |
| *Style 1* | *Total* | *0* | *10* | *$22,200* | *$2,220* | *$3,890* | *2* | *$1,945* | *5.71* | *$3,890* | *2* | *100%* | *481* |

These 2 aged units generated 10 units in sales, among the different iterations of the style – they are worth keeping.

**Styles Analysis Report for SAMPLE VENDOR Created 03/24/2023**
Sales between 03/25/2022 and 03/24/2023.Stock as of 03/24/2023
Product Division: All, Retailers: SAMPLE RETAILER, Store Number: All, Metal Type: All, TranType: All, Ownership: All

| Parent Style | Sku Number | SALES | | COST OF GOODS | | INVENTORY | | | TURN OVER | AGED | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Avg DTS | Units | Cost | Avg Cost | Cost Onhand | Units | Avg Cost OH | | Cost of Aged | Units | %Aged Stock | AVG DOH |
| Style 2 | Style 2 - WG | 0 | 0 | $0 | $0 | $525 | 1 | $525 | 0.00 | $525 | 1 | 100% | 539 |
| Style 2 | Style 2 - YG | 0 | 0 | $0 | $0 | $525 | 1 | $525 | 0.00 | $525 | 1 | 100% | 539 |
| *Style 2* | *Total* | *0* | *0* | *$0* | *$0* | *$1,050* | *2* | *$525* | *0.00* | *$1,050* | *2* | *100%* | *539* |

These 2 aged units have not generated sales in any iteration in the 539 days they have been in the case – they should be exited.

# How Do You Utilize Each KPI?

## PAST

Look at the productvity of aged inventory to judge how successful past inventory selections have been. Styles with long productivity shelf lives were good choices which should be expanded, and unproductive, aged styles were bad choices which should be mitigated

## PRESENT

Look at sales growth to see how the business is performing currently. Increased sales, dollar OR unit, will encourage retailers to place reorders, while decreased sales might require risk mitigation and inventory optimization work before that happens.

## FUTURE

Look at turnover to estimate how much inventory a retailer will need in the future to achieve maximum sales efficiency. A high turn demands an inventory increase and higher future orders, while a low turn will damper future order expectations.

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# How Often Should You Analyze Each KPI?

## SALES GROWTH

- By Retailer (individual) – Week-over-Week or Month-to-Date during key selling seasons
- By Retailer (individual) – Year-over-Year and Year-to-Date
  - Ahead of trade shows
  - Ahead of key appointments
  - At end of year
- Total Retailers (aggregated) - Year over Year
  - At end of year

## TURNOVER

- By Style - Daily, Weekly, Monthly (based on retailer reorder cadence)
- By Retailer (individual) - Yearly
  - Ahead of trade shows
  - Ahead of key appointments
  - At end of year

## AGED INVENTORY

- By Style
  - Ahead of trade shows
  - At end of year (after holiday selling season)

# WHAT'S THE POINT?

- Let these KPI's help you map a go-forward plan with your retailers

- Every KPI contains an opportunity to optimize business through…

  - Reorders

  - Expansion

  - Re-assortment

# QUESTIONS?
# PLEASE CONTACT THE BIG NETWORK TEAM

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