

# SELLING GENERATES REVENUE, BUYING GENERATES PROFIT

## 10 Things You Need To Know

### 1. The Inventory Investors

The daily goal is not to simply  
stay out of trouble.

Your Inventory professionals  
walk in every day looking for  
opportunities to make money  
for the company

I	REVENUE	\$	1,000,000	
II	- COST OF GOODS	\$	750,000	75.0%
III	= GROSS PROFIT	\$	250,000	25.0%
IV	OPERATING COST	\$	230,000	23.0%
V	NET INCOME	\$	20,000	2.0%

# THE 7 STEPS OF BUYING

10 Things You Need To Know

## 2 The Buying Process

Your buying process is more important than your tool.

All teams need to work in concert with this buying process

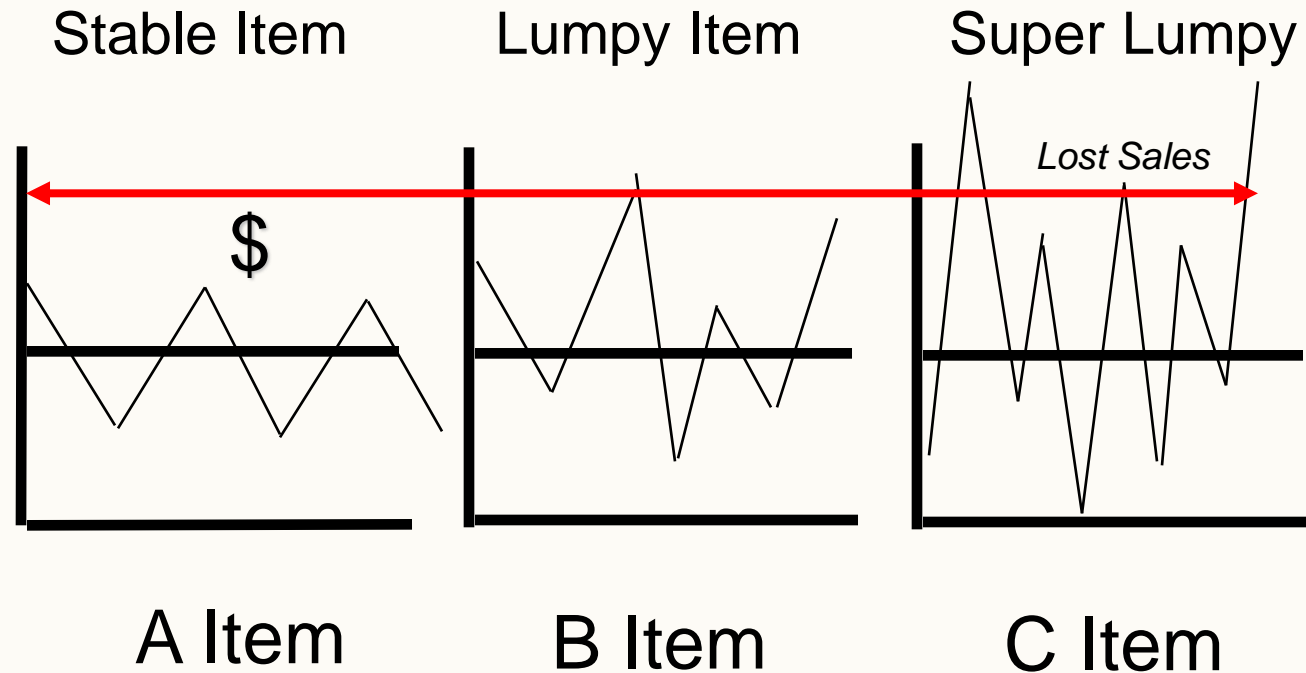
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1. DEMAND FORECASTING
  2. LEAD TIME FORECASTING
  3. ORDER CYCLE OPTIMIZATION
  4. SERVICE LEVEL MANAGEMENT
  5. REPLENISHMENT
  6. SPECIAL ORDER ANALYSIS
    - Inner Margin
    - Promos
    - Alt Source
    - Transfers
  7. ORDER VALIDITY ANALYSIS

# UNIQUE SAFETY STOCK NEEDS

## 10 Things You Need To Know

### 3. Safety Stock Needs

Each item has very unique safety stock needs. A unique amount of days is chosen for each item based on several factors including the deviation in the item's demand

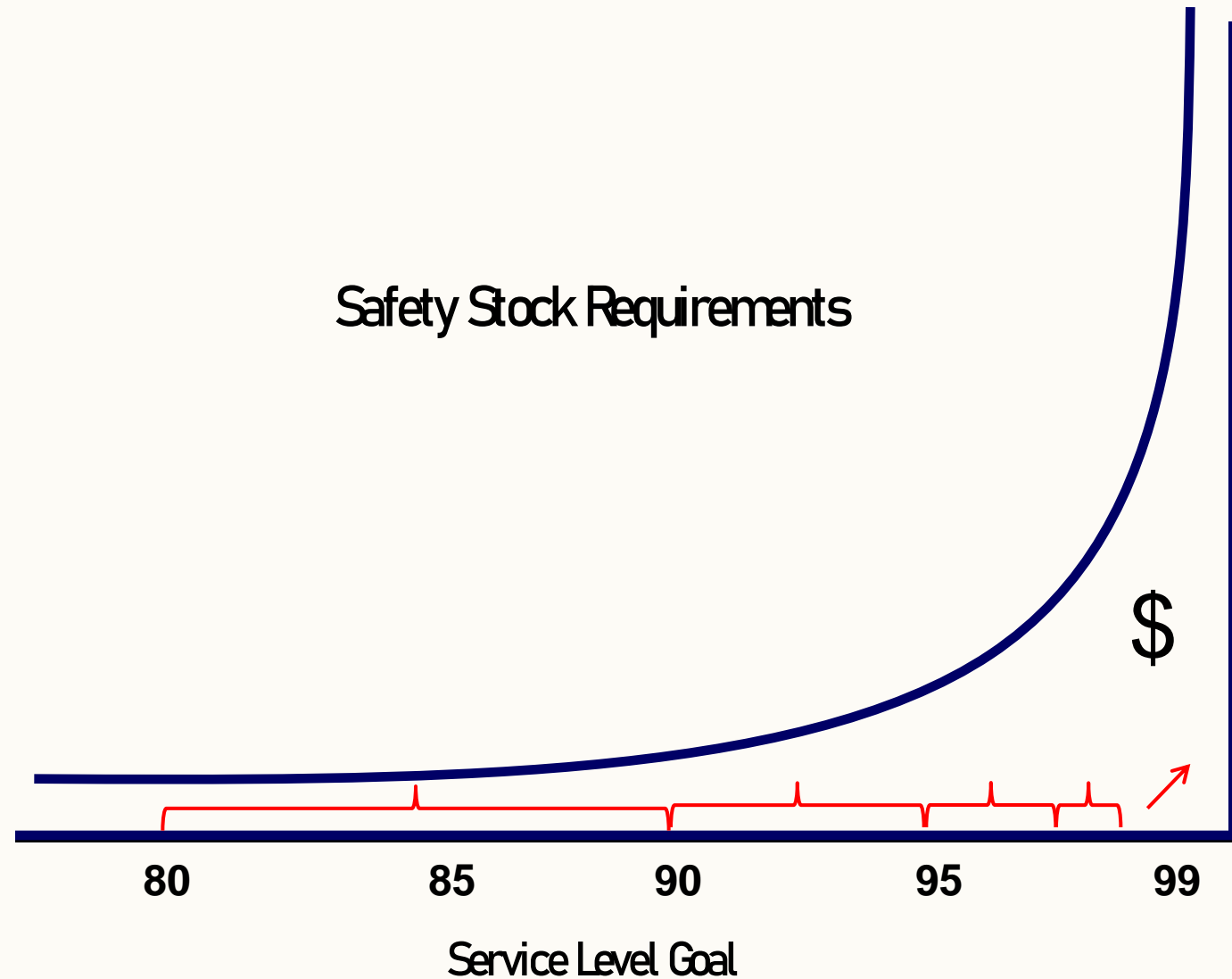


# SERVICE LEVEL FINANCIAL DECISIONS

## 10 Things You Need To Know

### 4. The Cost of Safety Stock

Safety Stock needs double with each of the intervals shown!



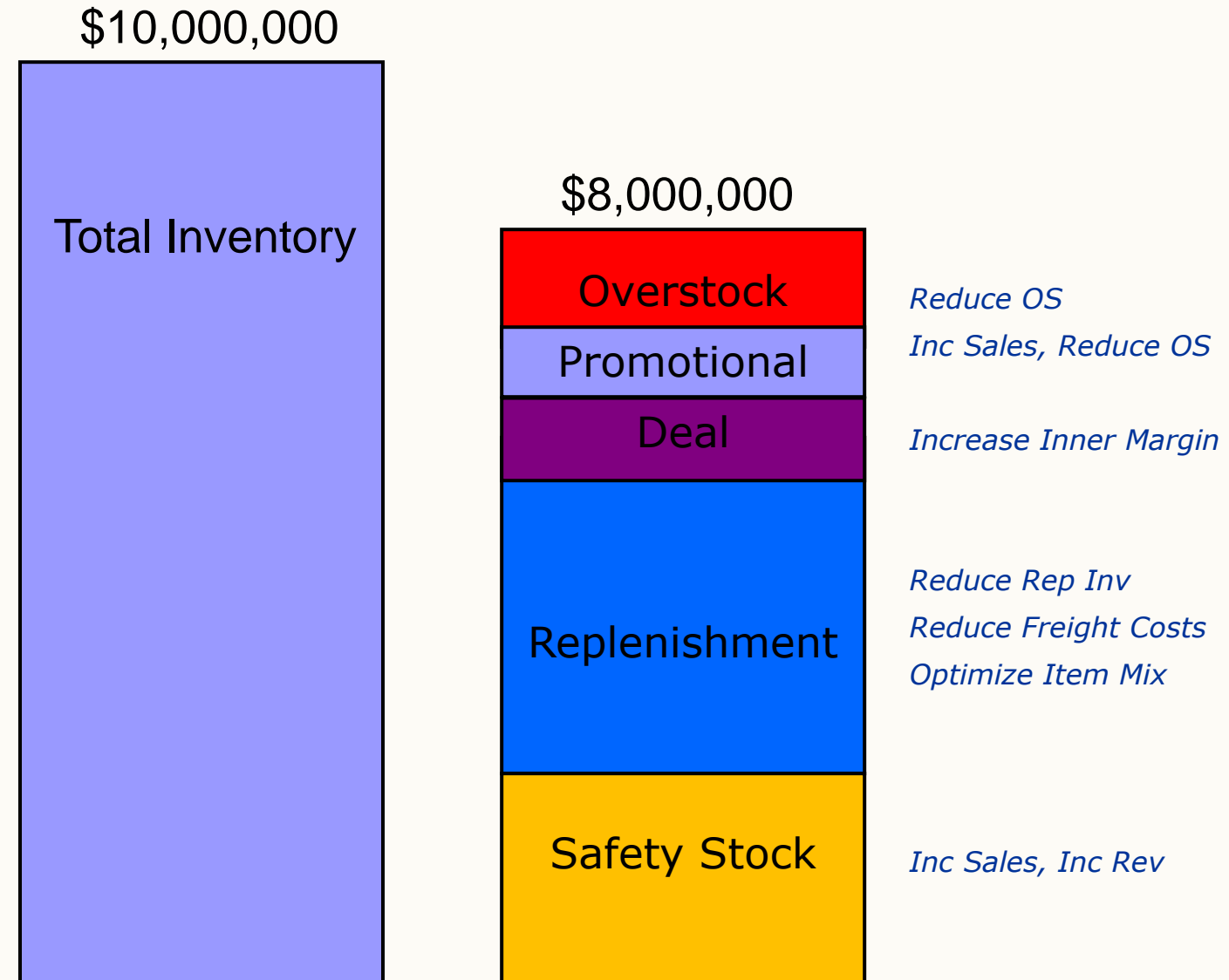
# ATTITUDE OF INVESTING

## 10 Things You Need To Know

### 5. Inventory Investment:

Your Inventory does not look like the left chart, It looks like the right chart!

BUYING IS INVESTING,  
BUYERS ARE INVESTORS



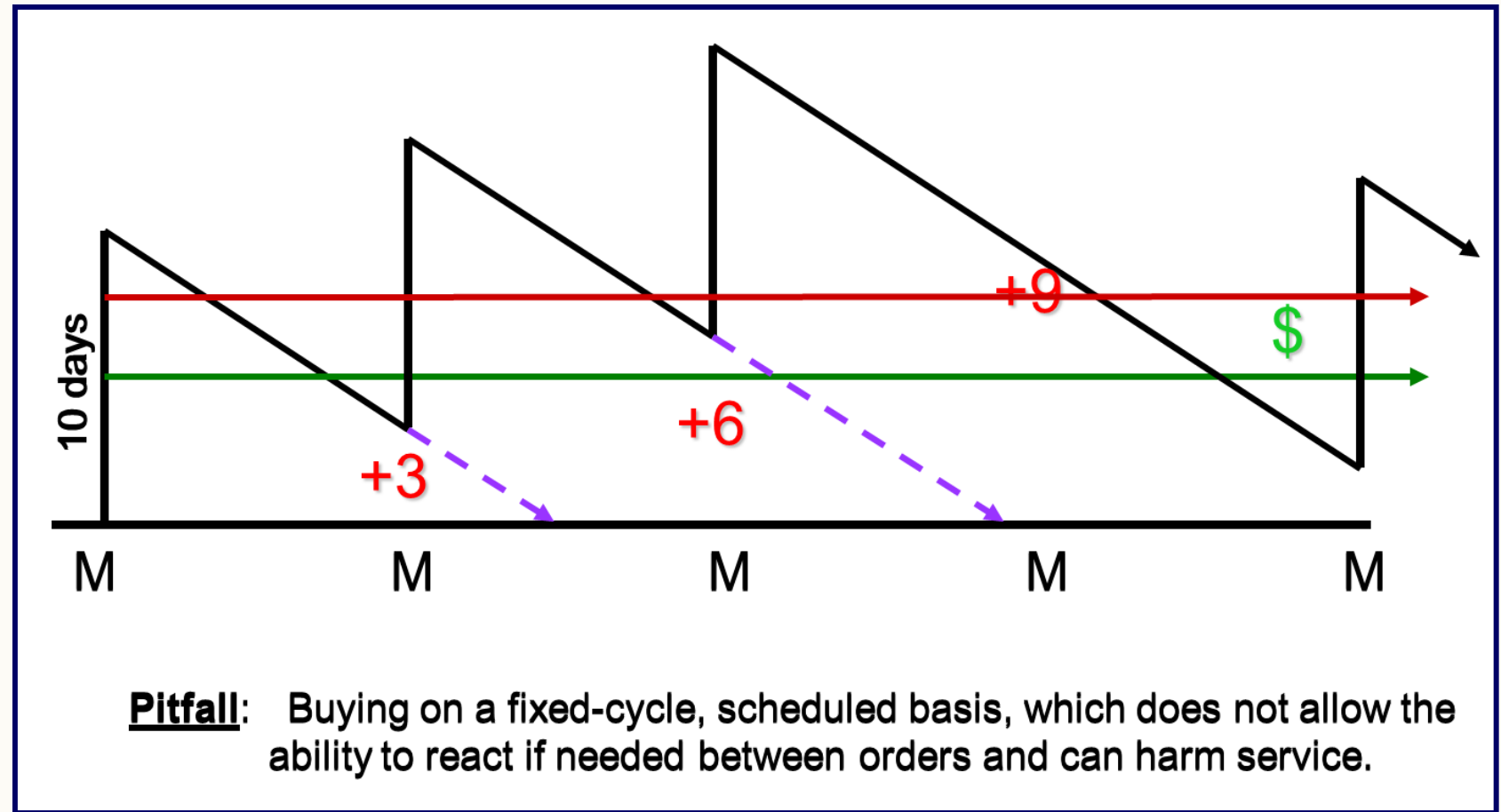
# The FIXED ORDER CYCLE PITFALL

## 10 Things You Need To Know

### 6. Fixed Order Cycles

One of the most expensive buying habits is being forced to a fixed cycle.

When the order cycle does not match the days supply of a truck or other requirement, you always buy too early!

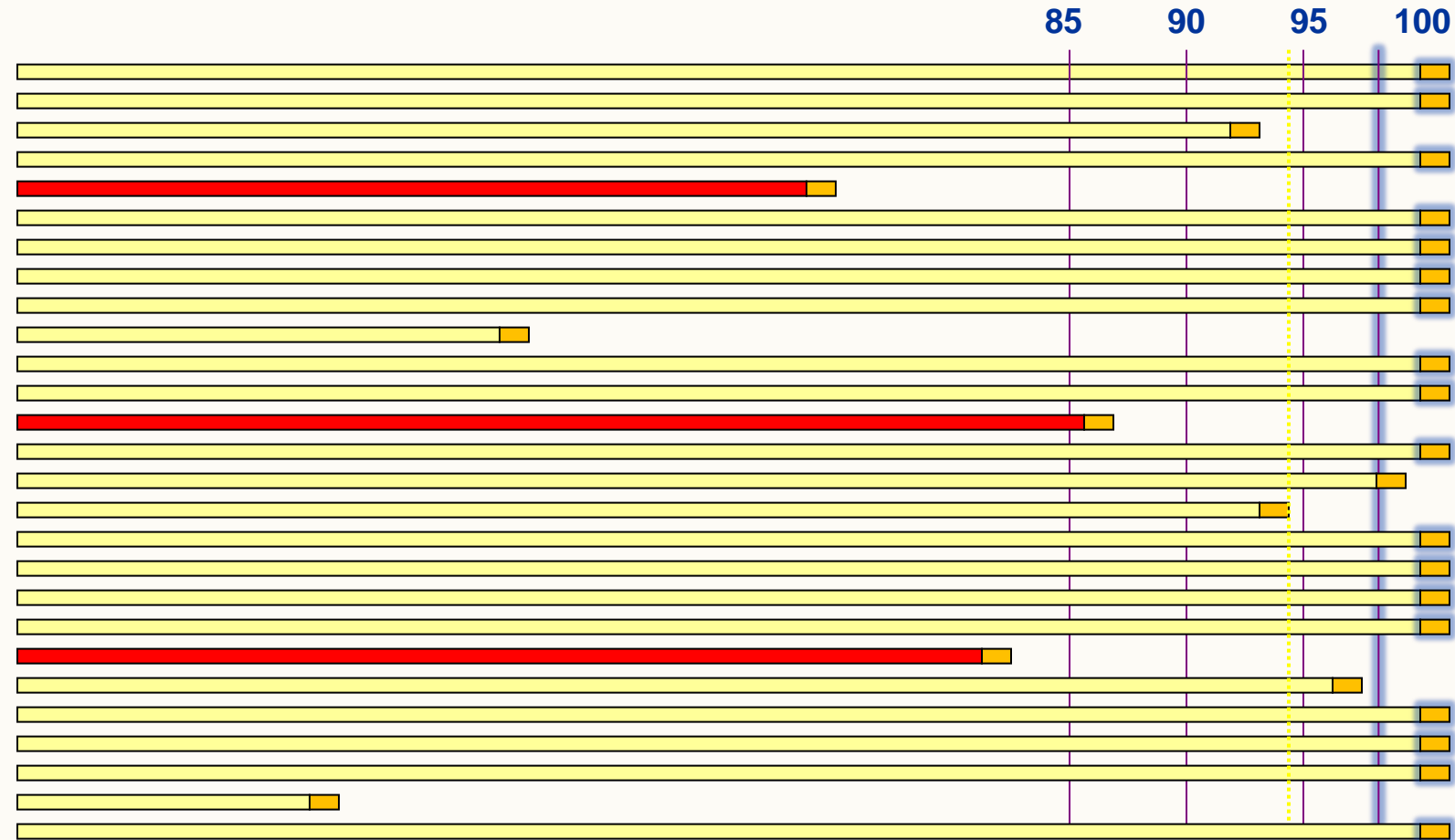


# QUICK SERVICE FIXES DON'T WORK

## 10 Things You Need To Know

### 7. Quick Service Fixes Don't Work

'Cranking' all service goals up a point or two mainly throws wasted money at items that are already fine!



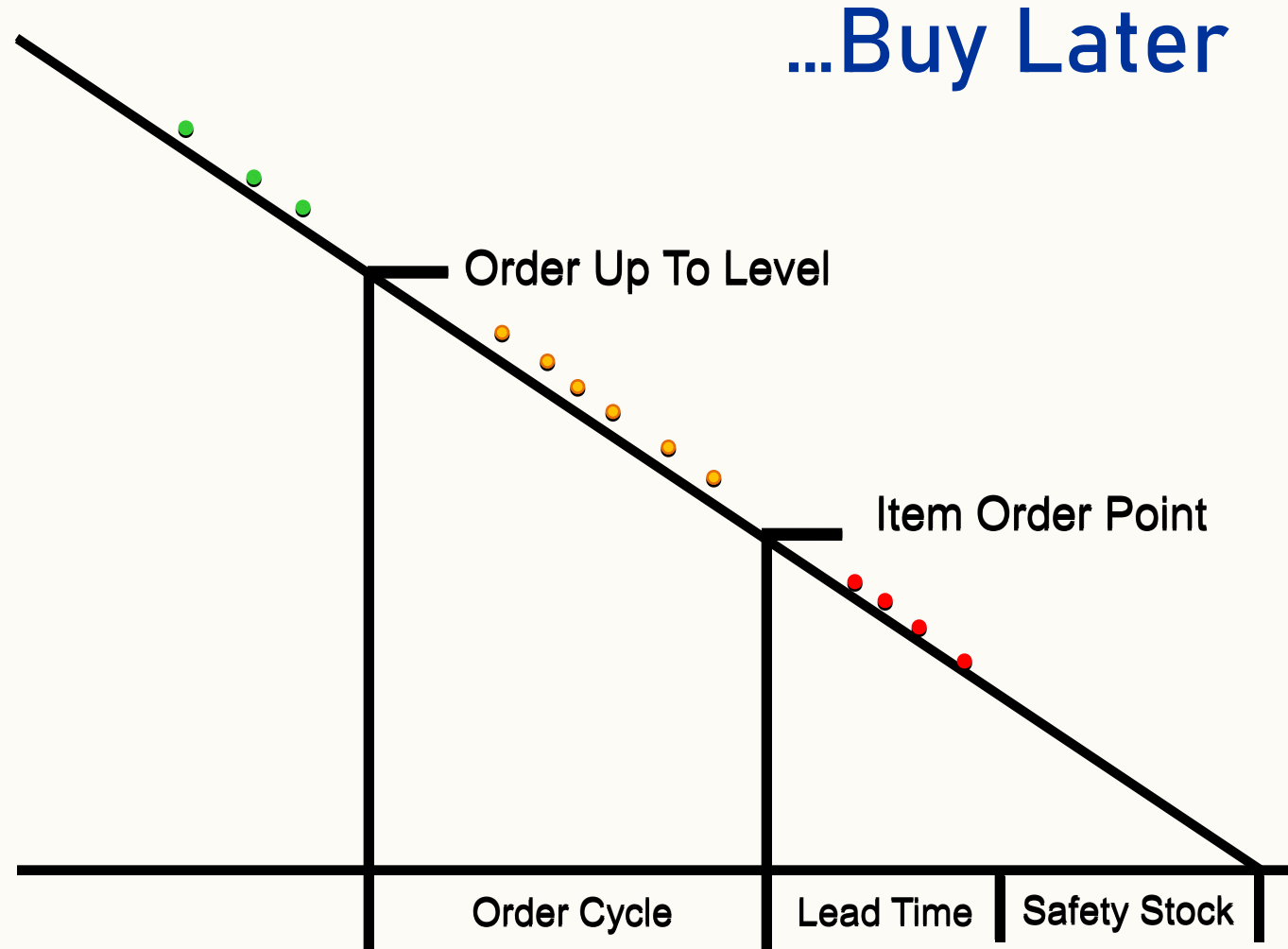
# THE KEY TO LOWERING INVENTORY

## 10 Things You Need To Know

### 8. It's not about buying less..it's buying later!

There are many factors and emotions and people who encourage us to buy too early.

A balanced line of items will help us buy later and lower inventory.





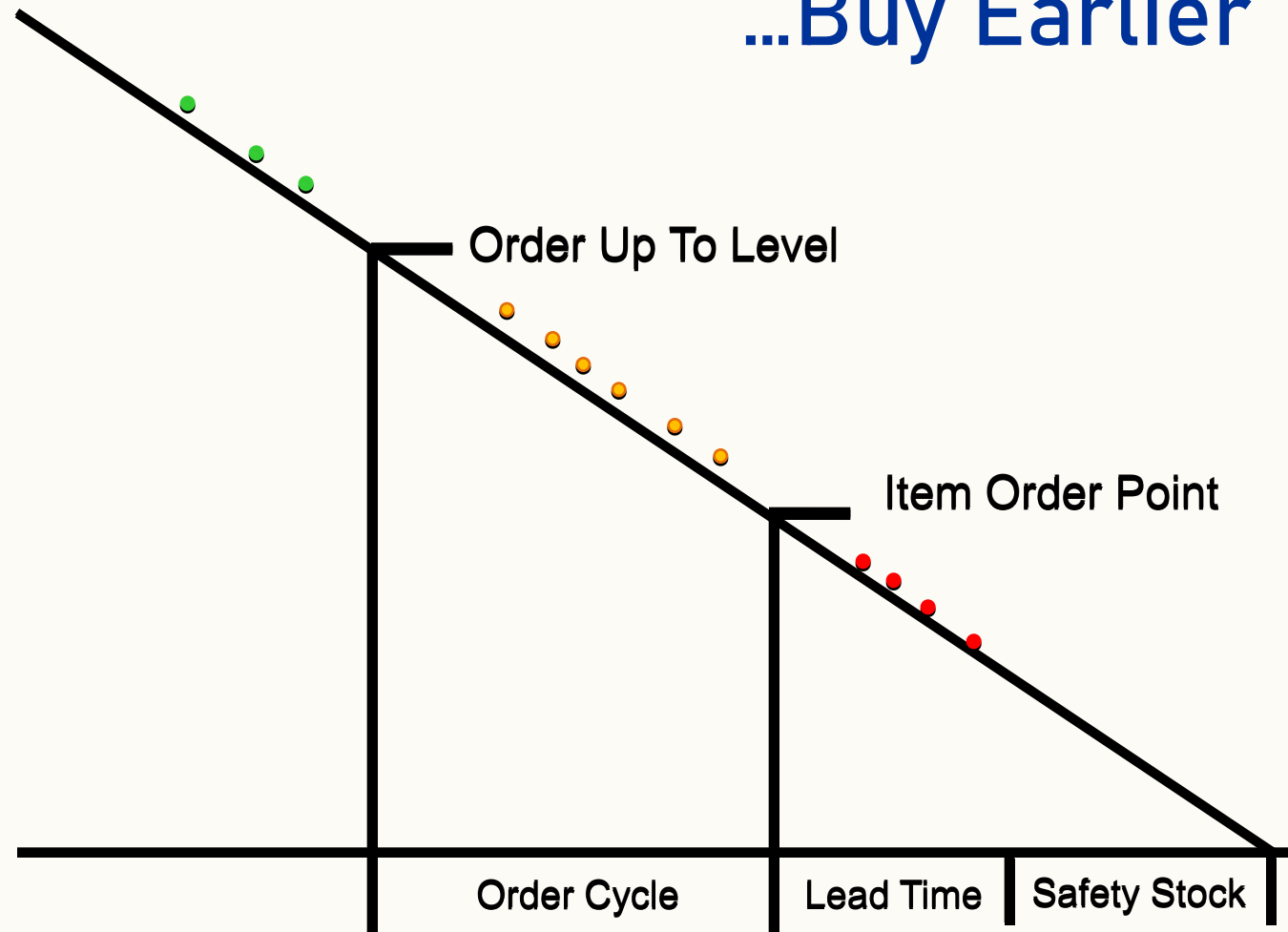
# THE KEY TO HIGHER SERVICE LEVELS

## 10 Things You Need To Know

9. It's not about buying more..it's buying earlier!

A balanced line of items will help us buy when we need to buy to ensure higher service.

...Buy Earlier

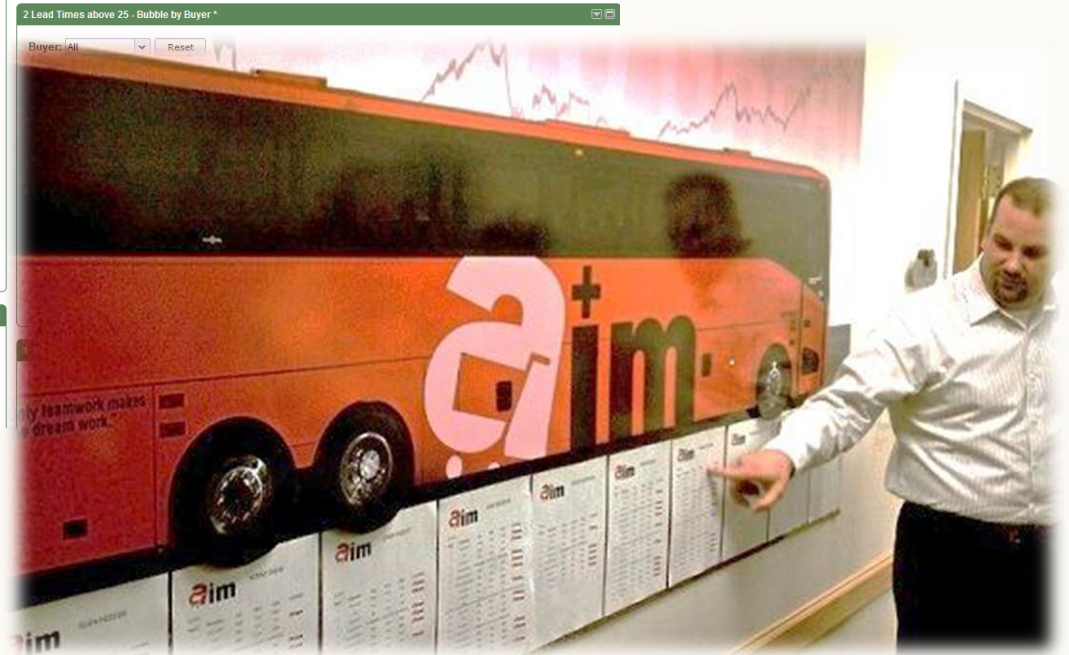
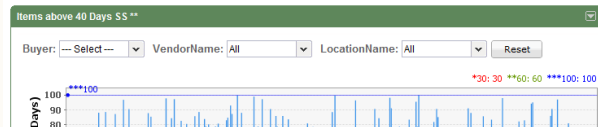
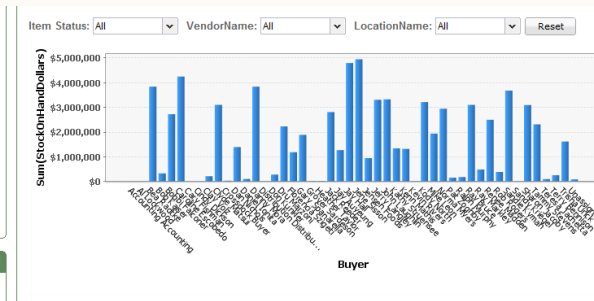
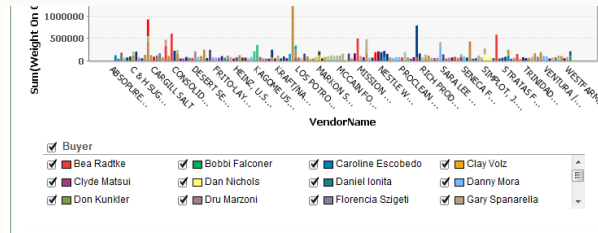


# CREATE A BLUE CHIP BUYING CULTURE

## 10 Things You Need To Know

### 10. BLUECHIPVISION

Today's Blue Chip Buying Teams balance their day with Replenishment, Analytics and ongoing Learning!



The Legendary Todd Bell and His Blue Chip Buying Program, Associated Food Stores