

New Item Excellence

STEPS FOR SUCCESS:

Replacement Item or Model Item?

Replacement is an easy one. Bring over history, forecast, and stock status. If similar or model, it may make sense to copy over initial history from a similar item (and profile); only do this when there are strong similarities in the product category.

Item's Home

All of us have been burned by a new item that belongs to a sub vendor/ship point and we failed to have a good routine in place to dig out the new item and assign it to the proper home. Check daily in the parent so that you can move to the proper sub.

Demand Forecast

Let's face it, when we get a new item from our merchandising team, we feel the urge to cut the estimated forecast by about 50% (and then often that's too high!). Having said that, whatever number we eventually land on, we need to set it, document it, and watch it closely. The initial sales are typically higher than normal, so a strategy of freezing the item until all of the initial pipeline fill occurs will keep the forecast in place. Remember these items won't fall into an exception category when they are frozen (which is a good strategy), so a Watch Code, System Class Report, or unique grouping with an open group code are all good tactics to use.

Demand Profile

Yes, we said it. It's ok to put a generic profile on a new item. If the item is in a seasonal category, but doesn't have an exact replacement, you will be doing a disservice if you don't apply the proper pattern. The new item may not sell at the same "rate" as other items, but the "pattern" in a category is likely to be very similar.

Service Goal

If an item is similar to other items in the category, this step might be a bit easier for you

because you can apply the same goal on the new as similar items. It may be ok to ride with a vendor or company default for the first few periods before you truly know how the item will settle into the mix.

Shelf Life

For all of my food service, food wholesale, and other companies with short lead time, short order cycle suppliers. This step is often overlooked initially. The shelf life won't be the "full" shelf life of the item, right? Why is this? Well, it takes time to get the item to you, it takes time for the item to sell (sit on your shelf), and time to for the customer to have it on their shelf to sell it. Think of this number as the amount of days to hold product in your location/warehouse and is typically 1/3 of the total shelf life value (as a rule of thumb)

Lead Time & LTV

Don't fall asleep with the sleeper component for new items! The item will pick up the default values, but remember to be bold and describe the variability of the item if the vendor is an erratic supplier.

Buy Multiple

This one caught me quite a bit in my early days. I would focus on the forecast, lead time, service, and this obvious one would slip through the cracks. Some of us are able to buy in eaches, but some of us have to buy in cases. Initially, you may be able to buy in an each or a case, but as demand picks up, you need to revisit to see if it makes sense to buy in a layer or pallet. As an added bonus, you earn points with the ops guys!

EOC Watch

I call this the ICO Rally example. I bought small parts and pieces in my industry and we had high effective order cycles on roughly 65% of our items. That's ok though. The point here is to understand the system economics are working for you on those low demand, low cost items to buy less frequently because the cost to carry is outweighed by the cost to buy.

Start-up Deal or Promotion

Be careful here! When buying more for a discount, if you won't have enough demand on the new item to make a forecasted buy, so often, it's best to, once again, let the item settle, before going overboard on a discount.