BLUE RIDGE

Inventory Alignment for Game-Changing Results

The Costly Pitfalls of Inventory Replenishment

Technology is only part of the solution

Forecasting is not the only answer

Selling generates revenue, but

Buying right generates profit

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How to use the Pitfalls Document

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No matter how you manage your inventory, you need to avoid these costly pitfalls..... some of these are not avoided simply by employing technology.

Science and software is powerful for solid inventory replenishment, yet not the sole answer. In our decades of experience we've found that truly successful companies also make a commitment to the constant growth and development of their people, organizations and processes.

This checklist will help you discover where you have opportunity and where to attack to assure maximum profit for your company.

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Your 40 Pitfalls Discovery Checklist

A guide for building your **Inventory Profit Projection**

Level of Strength
Lo = Pitfall is applicable

I. Demand Forecasting

Lo	Med	Hi		
☐	☐	☐	1.	Using one single demand forecasting calculation on all items even though each item has unique characteristics and unique needs.
☐	☐	☐	2.	Over-reacting to high demand spikes by moving the forecast and buying up although the occurrence will probably not continue
☐	☐	☐	3.	Not taking lost sales in account when forecasting and only including shipped or sales information.
☐	☐	☐	4.	Allowing inflated demand to increase forecasts/buying when the product is out of stock and the same customers order multiple times.
☐	☐	☐	5.	Not taking seasonal patterns into account, which will lead to out of stocks during the up season and overstock in the down season.
☐	☐	☐	6.	Relying mainly on Period to Date information to develop a forecast and buying decisions, which might show a very different, trending picture than many periods of smooth movement with occasional short-term spikes.
☐	☐	☐	7.	Not filtering promotional movement, which will inflate the forecast/inventory or make the buying tool unusable.
☐	☐	☐	8.	Not tracking each item's deviation tendencies for the building of safety stocks and the proper analysis of each item's true profit picture.
☐	☐	☐	9.	Not adjusting the demand forecast and other factors properly as sizeable accounts are gained or lost in the customer mix.
☐	☐	☐	10.	Not managing the transition of replacement items to avoid double inventory and smoothly manage the new items.

II. Lead Time Forecasting

☐	☐	☐	11.	Buying with a 'cushioned' Lead Time that describes a worst-case scenario and keeps 'just in case' inventory dollars unnecessarily.
☐	☐	☐	12.	Not actually 'forecasting' a Lead Time from receipt history, but buying with a static number based on vendor promises or gut feel.
☐	☐	☐	13.	Using one Vendor level Lead Time number for all the line's items even though some items have experienced occasional short ships or other mishaps and require a unique item Lead Time.
☐	☐	☐	14.	Not tracking and utilizing the historical deviation / consistency information of the item's receipt history for proper safety stock building.

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☐	☐	☐	15. If forecasting vendor or item Lead times, using one single forecasting calculation although each item has unique receipt history characteristics.
☐	☐	☐	16. Overreacting to one-time, long lead time spikes and building the inventory up unnecessarily in reaction.
☐	☐	☐	17. Not filtering promotional, or other special order receipts out of the Lead Time calculations that could inflate the inventory.
☐	☐	☐	18. Not taking seasonal Lead Time patterns into account when buying.

III. Order Policy Analysis

☐	☐	☐	19. Buying on a fixed-cycle, scheduled basis, which does not allow the ability to react if needed between orders and can harm service.
☐	☐	☐	20. Padding the inventory with 'just in case' inventory dollars in fear that sales might be strong between orders, knowing that the fixed cycle schedule does not allow for reacting in time.
☐	☐	☐	21. Manually creating Vendor Order Cycles without analyzing the costs and true profit picture of all possible ordering frequencies.
☐	☐	☐	22. Buying on a schedule, and consistently buying before the products are really needed which builds inflated inventories.
☐	☐	☐	23. If buying to volume, weight or other size constraints or brackets, not matching the Order Cycle to the forecasted movement of the products.
☐	☐	☐	24. Sub-Optimizing pricing brackets by not analyzing the profit picture of each optional pricing bracket and choosing the best one.

IV. Service Level and Safety Stock Management

☐	☐	☐	25. Maintaining one time supply of safety stock on all or most items, even though each item has unique movement and receipt patterns and requires a specific amount of safety stock.
☐	☐	☐	26. Not recognizing the smooth demand patterns of most high volume items and thus keeping inflated, unnecessary amounts of inventory on the key items.
☐	☐	☐	27. Not recognizing the very erratic nature of slower moving products and thus not keeping enough safety stocks on the items to maintain acceptable service levels.
☐	☐	☐	28. Not using the Lead Time and important Lead Time Deviation factors when calculating safety stock needs.
☐	☐	☐	29. Overreacting to concerns and requests from customers, sales and management about low service by simply emotionally 'buying more' rather than scientifically increasing service through precise safety stock calcs.

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Lo	Med	Hi	
☐	☐	☐	30. Creating Service Level objectives only based on ABC type rankings without taking the profit picture into account.
☐	☐	☐	31. Requesting low in stock service goals on items considered C or D items when they have extremely strong net profit margins that more than make up for the extra cost of safety stock.

V. Replenishment

☐	☐	☐	32. Not reviewing each item and each vendor each day to allow the fastest reaction time and the lost possible inventory levels.
☐	☐	☐	33. Determining the item's component values on the day of buying, although those values actually determine the important question of 'when' to buy.

VI. Special Order Opportunity Analysis

☐	☐	☐	34. Managing promotional planning and buying as part of the normal replenishment numbers, which will impact the serviceability of the promo buys, the validity of the normal replenishment stock status, the replenishment forecast and the overstock picture.
☐	☐	☐	35. Not treating deal / forward buy opportunities as a scientific, economic decisions that require a strategy that is followed by the entire company, so that every possible dollar of profit is realized.
☐	☐	☐	36. Treating discounts and price increases as the same calculation, although they offer different opportunities
☐	☐	☐	37. Buying too heavily on dating opportunities, not realizing that much of the goods are being brought in at a time sooner than planned or needed, which reduces the actual financial benefit.
☐	☐	☐	38. Going directly to the main vendor after replenishment needs are established, rather than checking a more economic source like an alternate supplier or another strategic location in the company's network that may have costly overstock to transfer.

VII. Order Validity Analysis

☐	☐	☐	39. 'Padding' the top item or items with inventory to move an order to meet a 'size' like a truckload from what was actually needed, which takes the line out of balance and makes it difficult and costly to place the next order.
☐	☐	☐	40. Rounding order quantities to inefficient multiples by not looking at each item for more economic rounding multiples based on the volume of each item in each location.