



*Powerfully Simple Point of Sale*

## *Market Driven Inventory Management™*

### *Taking Control of the Ordering Process*

How do I get more product depth on certain inventory items?

Everyone in retailing understands the old adage of “You can’t sell from an empty wagon.” A difficulty shared by all of us is determining the optimal stocking level for every item in our inventory for every order cycle, weather condition, and economic climate we experience while still achieving our investment goals. Paladin Point of Sale provides the tools and automated systems you need to accomplish the elusive goal of “Optimal Stocking Level” for each item in your inventory.

As store owners we must choose a point between owning a massive depth of inventory (for a huge investment and having little risk of stock outages) and a very lean inventory (that is affordable but puts us at great risk of stock outages). Plus, our financial Return-On-Investment plummets anytime we have more stock than can be sold in a short period of time. Our bottom line as investors is ultimately defined by the investment made versus the revenue received. The lower our investment can be without impacting revenue, the better our balance sheet is going to look.

**“Paladin Point of Sale’s inventory system is managed automatically by the dynamic stock needs algorithms built into the Market Driven Inventory Management system. Given your supplier delivery schedule, Paladin Point of Sale suggests you maintain an inventory stocking depth that would supply everything you need for a 14 day sales window. Since every item in inventory is evaluated every time you request a suggested Purchase Order, your stocking depths float up on some items and down on others. If you can sell it, you need it. If you can’t sell it, you don’t need it.”**

Can we still have stock outages? Of course we can. If demand for an item exceeds its historical seasonal norms, we could experience an “out” on that item. The beauty of the Paladin Point of Sale Active Inventory Management System is that it will provide sufficient stock levels across all inventory items to support the current sales demand that is a reasonable facsimile of past sales performance.

We can easily specify a different number of stocking days to push or pull our inventory stocking depth and purchasing needs. Maybe spring warmth and customers arrived early this year and we need more product depth at this time of year than we did the last few years. We simply



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instruct Paladin Point of Sale to stock a few more days' depth. If bad weather or bad news is keeping our customers home we simply instruct Paladin to stock a few less days' depth until everything returns to normal. With Paladin Point of Sale we always have just enough inventory to satisfy our customer demands. After all, isn't that what retail inventory management is all about?

To achieve success in our world of retail inventory investing, Paladin's Active Inventory Management System will only purchase and stock items that sales history says we have a reasonable chance to sell again.

**"Paladin Point of Sale is driven by what our customers buy, NOT by what we purchase, NOT by what season or what month is represented on the calendar. Paladin is focused on what customers buy, when they buy it, how many they buy, and what accessories and add-on items are purchased."**

Occasionally, though, we'll identify an item or group of items in our inventory that we desire a greater stock depth than what sales history alone suggests we have. Paladin wants to emphatically state that the fewer controls you place on an item, the better the job Paladin Point of Sale does at maintaining just enough inventory to meet the sales needs. We've found these methods to be very successful in achieving this goal.

### *Method #1: One Time Manual Stock Adjustment*

We utilize this method anytime we're not sure a larger market demand could be present if we had the stock to support it. To use this system we make no changes to Paladin Point of Sale, but instead perform a one-time manual purchase of a larger quantity of the item and place the new stock where our customers can see it. If a larger quantity on hand triggers new buying habits from our customers, Paladin will recognize this and will automatically maintain stock levels to retain this new sales opportunity.

### *Method #2: Increase Inventory Stocking Days*

We apply this method to items that sell regularly, represent a significant value to our store image and we're OK with stocking them slightly deeper than the rest of our inventory. To accomplish this we increase the number of day's stock we instruct Paladin Point of Sale to maintain for these items. The most obvious and simple method for accomplishing this is to change the Order % field in inventory. The default value is 100%. Change this to 150% and this item will now be stocked to 150% of the number of stocking days you specify for the suggested order report and/or PO.

This method is very simple to perform and the stock levels remain dynamic to follow our customer demand up and down. While Paladin Point of Sale automatically boosts stocking levels to accommodate high order multiples, this method of increasing stock on hand could still allow stock levels to drop before the next large (as compared to sales) order multiple can be purchased. Any time this is an issue, we use method three.

### *Method #3: Declare Display Stock*

We use this method on products that are low-cost, high-margin and have large order multiples to overcome before the next order can be placed. We inform our Paladin Point of Sale system that we wish to hold a quantity of product for display purposes that is not normally used to satisfy sales demand. We perform this by establishing a value in the display/min field in inventory and then clicking the lock icon. This will force Paladin to use our display/min value rather than its calculated value. All stock needs calculations remain the same, but the resulting stock on hand will be our stock needs plus the display/min amount. Be aware that any value set in display/min is not subject to dynamic control or variance by customer seasonal demand. If we're not cautious in the establishment of a forced display/min, we can end up with more stock on hand than we wanted.

### *Method #4: Modify Historical Sales Trends*

We can increase stocking depth of an item by adjusting the item's sales history. Normally we use this method to reduce the quantity suggested to stock, but it works equally well to increase stock levels. The common situation is we decide we're willing to stock an item deeper, but how much more depth is required? If we tell Paladin Point of Sale how we think the item could sell, the system will maintain the item at our inflated sales history automatically. Every item on every customer invoice has two "sales" quantities maintained in the database.

The first quantity is the actual amount sold, and the other is the quantity that Paladin is to consider sold for the purposes of reordering. Most invoices have identical values in these two fields for every item. Although, items sold under a Sale List are automatically excluded from reorder and this second qty is how Paladin Point of Sale achieves that. To use this method, we click on the Sales Figures magnifying glass in inventory and every invoice and customer that purchased this product is displayed. The window details a column named Qty Sold and another named Adj Qty. We edit any value we choose in the Adj Qty column and this will directly affect the stock needs calculation performed on this item. If much sales activity is present, this isn't the best method to use, but it is practical on some items.



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### *Method #5: Forced Stock Levels*

Occasionally we have an item that requires a specific stocking level – period. To evoke this control, we set display/min to one less than our desired stock level and set max equal to our desired stock level. Both fields must have their lock set to force Paladin Point of Sale to use our values rather than calculating its own. As soon as our stock level drops to the point that an order multiple will not exceed the maximum stock we defined, the item will be ordered. This is the least desirable of all the methods listed because it defeats all dynamic controls on the item. But in cases where we want a specific quantity on hand at all times regardless of customer demand, we use this method.

Paladin's inventory management system is a powerful tool that could save your store thousands of dollars. Use an intelligent point of sale system that is built to be a benefit for your store. If you have any questions about Paladin Point of Sale's inventory management, contact us at 1-800-725-2346. We look forward to hearing from you.