

Best Selling Items

Effective inventory management is key to successfully operating a retail store. This can be done by making sure every dollar you invest in inventory is effectively earning margin dollars.

Have you ever heard of the 20/80 rule? It is a concept that has been applied to almost every element of life, and it applies equally well to retail. The 20/80 rule states “20% of the population generates 80% of the solution.” When you apply it to retail, it means 20% of the department’s inventory generates 80% of the margin.

There is a tag along rule that says “the bottom 5% will never be missed.” This concept can also apply to retail inventory management. Effective retail stores use these two rules to manage their unproductive inventory. The result is a significant increase in inventory turns and the return on investment percentage.

Here is how it’s done:

Start by identifying items in the three areas (top 80%, middle 15%, and bottom 5%) using your point of sale system’s best seller report. This report should rank items for a department by margin dollars earned during a selected period.

Gabby's Gift Shop Best Seller Report March 1, 2007 to March 31, 2007						
Item ID	Qty.	Sales	Margin	Margin %	% of Sales	Accum Description
YAN-114560	92	6067.4	3295.44	54	17	17 Fireside 14.5oz Jar
YAN-578460	56	1876	1201.2	64	5	22 Baybreeze Wrapped Votive
YAN-114534	95	2037.75	1178.95	58	6	28 Banana Nut 14.5oz Jar
YAN-57912	50	1675	1072.5	64	5	33 Frch. Vanilla Potpourri Tart
YAN-578534	48	1608	1029.6	64	5	38 Banana Nut Wrapped Votive
YAN-578457	45	1507.5	965.25	64	4	42 Storm Watch Wrapped Votive
YAN-138560	75	1499.25	821.25	55	4	46 Fireside 3.7oz Jar
YAN-115560	69	1172.31	756.93	65	3	49 Fireside 22oz Jar
YAN-578130	35	1172.5	750.75	64	3	52 Patchouli Wrapped Votive
YAN-138460	68	1359.32	744.6	55	4	56 Baybreeze 3.7oz Jar
YAN-138130	66	1319.34	722.7	55	4	60 Patchouli 3.7oz Jar
YAN-115457	65	1104.35	713.05	65	3	63 Storm Watch 22oz Jar
YAN-214560	94	845.06	562.12	67	2	65 Fireside Housewarmer Basket
YAN-214130	91	818.09	544.18	67	2	67 Patchouli Housewarmer Basket
YAN-115534	49	832.51	537.53	65	2	69 Banana Nut 22oz Jar
YAN-214534	79	710.21	472.42	67	2	71 Banana Nut Housewarmer Basket
YAN-13812	41	696.59	449.77	65	2	73 Frch. Vanilla 3.7oz Jar
YAN-214457	71	638.29	424.58	67	2	75 Storm Watch Housewarmer Basket
YAN-214504	69	620.31	412.62	67	2	77 X-Mas Cookie Housewarmer Bask
YAN-115504	37	628.63	405.89	65	2	79 X-Mas Cookie 22oz Jar
YAN-138504	37	739.63	405.15	55	2	81 X-Mas Cookie 3.7oz Jar
YAN-57812	65	584.35	368.7	67	2	83 Frch. Vanilla Wrapped Votive
YAN-578560	18	603	366.1	64	2	85 Fireside Wrapped Votive
YAN-115460	35	594.65	383.95	65	2	87 Baybreeze 22oz Jar
YAN-138534	34	679.66	372.3	55	2	89 Banana Nut 3.7oz Jar
YAN-578504	14	469	300.3	64	1	90 X-Mas Cookie Wrapped Votive
YAN-138457	27	539.73	295.65	55	2	92 Storm Watch 3.7oz Jar
YAN-214460	41	368.59	245.18	67	1	93 Baybreeze Housewarmer Basket
YAN-11412	27	405	242.46	60	1	94 Frch. Vanilla 14.5oz Jar
YAN-115130	23	390.77	229.08	59	1	95 Patchouli 22oz Jar
YAN-579460	145	217.5	188.5	87	1	96 Baybreeze Potpourri Tart
YAN-579457	141	211.5	183.3	87	1	97 Storm Watch Potpourri Tart
YAN-579560	104	156	135.2	87	0	97 Fireside Potpourri Tart
YAN-114504	24	180	132	73	1	98 X-Mas Cookie 14.5oz Jar
YAN-21412	11	219.89	120.45	55	1	99 Frch. Vanilla Housewarmer Bskt
YAN-579130	89	133.5	115.7	87	0	99 Patchouli Potpourri Tart
YAN-579534	85	127.5	110.5	87	0	99 Banana Nut Potpourri Tart
YAN-114460	20	200	99.6	50	1	100 Baybreeze 14.5oz Jar
YAN-114130	13	156	90.35	58	0	100 Patchouli 14.5oz Jar
YAN-114457	15	150	89.85	60	0	100 Storm Watch 14.5oz Jar
YAN-11512	21	103.95	61.95	60	0	100 Frch. Vanilla 22oz Jar
YAN-579504	24	36	31.2	87	0	100 X-Mas Cookie Potpourri Tart
2308	35454.63	21668.8		61	100	

Once you have identified the three groups of items, then:

- Promote the items that make up the top 80% of margin, and make sure you have plenty on hand for people to buy!
- Merchandise or discount the 2. bottom 5%, and do not reorder these items.
- Selectively review the middle items, and limit your inventory investment in these items.

The use of these rules and an effective POS system's best seller report can help you maintain a lean and productive inventory.