



## **The CFO's New Approach to Managing Slow Moving Unpredictable Demand Inventory**

How many times have you established a task force to evaluate and reduce inventory? Whether you were looking for space, improved cash flow, cost reductions, efficiency, or cost avoidance, the inventory issues were the same.

How do you get to the proper financial inventory level without interrupting customer service and losing profits on future sales? Too often companies will reduce the stock levels of the faster selling inventory to achieve their proper inventory levels but this only leads to more stock outs and unhappy customers. To try and prevent this situation, you tie up your workforce attempting to overhaul your systems and procedures to accommodate the reduction.

Now you can have the best option to achieve all of your inventory management goals without creating new systems or task forces. This option is called the GPS INVENTORY BANK. It has been around for 30+ years and has worked successfully for many industries. The INVENTORY BANK program is simple to implement, cost effective and takes the guess work out of the entire inventory issue.

The best part of all is that once you begin regularly using the GPS INVENTORY BANK Programs, you will have a short and long term solution to continuously manage your slow moving inventory.

The attached white paper will show practical ways to maintain a high level of customer service and profits without the high cost of maintaining slow moving inventory.

## The CFOs new FRESH APPROACH:

### Increase Profits by Sending Slow Moving Inventory to the “BANK”

If your company stocks inventory, you know how costly slow moving inventory is and how it negatively affects your bottom line.

It is an old problem. It is an old problem that needs a fresh approach and a fresh solution.

GPS Inventory Solutions has a fresh approach and a fresh solution for turning costly unprofitable slow moving inventory into profit with its INVENTORY BANK Programs.

This FRESH APPROACH to managing slow moving inventory satisfies all of your corporate demands with a program that will eliminate the inventory carrying costs without sacrificing customer service, sales or profits.

### The Costly Bottom 60% of your Inventory

It is important to recognize that in most inventories (particularly a repair parts inventory) the bottom 60% of the inventory only produces about 5%-6% of your sales and the resulting profits. The availability of these items, however, is important to your customers. Without them, your order fulfillment rate will not be acceptable. Your customers will not be happy if they only get 9 of the 10 items they ordered. This situation actually nullifies (from a customer view point) the investment you have in the faster selling inventory or the top 40%.

On the other hand, the bottom 60% of your inventory is costly to maintain due to the carrying cost and warehouse space consumed. It will significantly drain your overall profits. It is also detrimental to your administrative and warehouse efficiency. Every time an item in the bottom 60% of an inventory is touched or thought about, except for a profitable sale, it is a reduction of your overall profits.

Companies spend enormous amounts of time and thousands of dollars studying an already costly problem. Someone in the company believes there is someone out there who wants to pay good money for this inventory. ***If that was true, it would have already happened.***

They will pull an employee from a productive and profitable function to try and find buyers for this inventory. History shows, that in most cases, less than 5% of the value of the inventory will be recovered through this method. Plus, the items the surplus buyers want are the same items you will most likely need for your immediate future customer demands.

After several months of the recovery effort, a company's next step will be to devote time from several departments to selectively scrap this inventory. It is incredible to think there is anyone, or even a system, that can selectively identify the items of this inventory that will be required in the future. The future demand is totally unpredictable. Selling this inventory as surplus or just scrapping it has proven to not be financially cost effective.

Through our many years of tracking slow moving inventory (*after all, that is all we do*) across many industries, we have found you can predict that about 3% to 5% of the items will have activity annually. Unfortunately, you cannot predict which items it will be. We do know that year after year, it will not be the same items having activity. History shows us that over a ten year period approximately 50% of the part numbers will have some demand. Knowing this tells us the best financial return on this inventory is to let the future sales and normal profits continue to add to the bottom line more profitably.

**If you scrap or surplus the inventory it is gone forever.** When it is gone forever, future customer demand for any of these items will most likely create slower moving inventory of the same items. This is what freezes most companies in their tracks and causes a lack of decision making.

### **The High Cost of *Doing Nothing***

National statistics reveals the true inventory carrying costs will average about 25% of the total inventory cost annually. **Every year that you don't make a decision and hold onto the inventory, it costs you another 25%.** But, you are only receiving 5-6% sales. ***Can you really afford this?***

### **GPS Inventory Solutions**

Since we know there are still profitable requirements for this slow moving inventory, what you really need to do is to keep it available, but eliminate all or most of your costs to maintain it. Remove it from your distribution center, whether it be your own or at 3PL. This will immediately stop the bleeding of the inventory carrying cost and create much needed space for more profitable products or new endeavors. Once this is done, you will immediately improve your balance between customer demand, cost control and increased profits.

This FRESH SOLUTION to managing slow moving inventory is the **GPS INVENTORY BANK** Programs. It is an easy decision and simple to implement. Cost savings and increased profits will start immediately. These programs have been proven effective across many industries, so you can have confidence in your decision.

### **Your FRESH SOLUTION**

Activate this FRESH SOLUTION by depositing your slow moving inventory into our GPS INVENTORY BANK programs. Having availability thru the INVENTORY BANK enables every CFO to provide their company with a direction for managing slow moving inventory. They can have confidence that they will satisfy customer service, cut costs, increase profits and create warehouse space. They can now have a viable long term solution for the daily management of slow moving inventory.

When you deposit your slow moving inventory into a GPS INVENTORY BANK PROGRAM, you will see a dramatic change to your bottom line. If you want to write off the inventory, GPS will assume the ownership and you will get an immediate inventory carrying cost reduction. If you do not want to write off the inventory, you can deposit it into the INVENTORY BANK but retain ownership. This will eliminate most of your inventory carrying cost and free up space.

Using a combination of these two methods can provide a planned and long term inventory exit strategy that can become a major enhancement to your total inventory strategy. Either way, you can be confident that the use of the GPS INVENTORY BANK PROGRAMS will meet all of your corporate needs.

Let a GPS representative present to your inventory management team this simple, tried and proven program. In a short session either face to face, by phone or thru the internet, we can set up a customized program that will be the most effective lean supply chain initiative you have ever implemented!

### **ABOUT GPS Inventory Solutions**

GPS Inventory Solutions, Inc. has been working with many companies across various industries for 30+ years, providing them the most cost effective method available for managing slow moving inventory. With facilities in the Knoxville TN area to service our Eastern U.S. customers, and our facilities in the Dallas TX area to serve the Western U.S., GPS can satisfy all of your corporate slow moving inventory needs, and particularly your long term product support needs.

Before you move slow moving inventory to a 3PL, merge locations, or acquire inventory from a new company acquisition, contact GPS INVENTORY SOLUTIONS for your customized FRESH SOLUTION.

Please visit our website [www.gpspartsmart.com](http://www.gpspartsmart.com) for a brief video of how our INVENTORY BANK PROGRAMS work. Or, click on our INVENTORY ANALYSIS CALCULATOR to quickly see the impact slow moving inventory is having on your company's bottom line. Just enter the four items of information requested and the calculator will do the rest. Your information is secure as no one will see or access this information including GPS.

**Please contact us at (800) 896-0477 or [programs@gpspartsmart.com](mailto:programs@gpspartsmart.com)**