Inventory Management by Doug Hering

The largest asset of most Christian publishers is their inventory. With the possible exception of the publisher's accounts receivable, inventory is where publishers invest their money. Thus inventory management is critical to success.

Set inventory goals for your organization. Look at the value of the average inventory carried over the course of the year, and then measure your inventory as a certain percentage of your annual sales. In the United States, the percentage for a large publisher might be 25 percent of the dollar value of their annual sales. The percentage number will vary depending on the size of your organization, the number of titles it has published, the cash flow it needs for everyday operations, and the business environment in which it functions. Small publishers often have to buy a minimum quantity in order to make the profit margins for a particular title work. Even in the United States, this dynamic may require them to place their goal at a figure considerably above the 25 percent. With some products it may be necessary to keep a six month supply in stock because the goods come from foreign companies via ocean freight.

In setting inventory goals, remember the minimum amount of inventory that you should keep on hand to fulfill orders. Many publishers in the United States try to keep at least a three-month supply on hand. So, if a book is a best seller, a firm may buy larger print runs of this title because it knows this investment carries very little risk. For titles that are slower movers, a publisher may want to keep less inventory to minimize risk.

Monitor your inventory. Once you have established an inventory goal, review inventory levels at least every month. Adjust your publishing plans or increase your sales efforts to insure that the inventory will be in line with your end-of-year goals.

To facilitate this review, designate four different categories for the products kept in stock: best sellers, good sellers, average sellers and slow sellers. The criteria for what makes a best seller might be the quantity sold, or the profit generated by sales of a particular title. A firm might establish a value that combines both the quantity sold and the net revenue. For example, a manager

might say that if a particular product sells x quantity and generates x dollars in revenue it can be a best seller. Publishers must decide what defines bestsellers in their own environments. Once you have established the categories, use them to guide your reprint decisions. With this system, a firm that relies on the profits generated by its bestsellers can prevent the loss of sales that would result if it were out of stock. If cash is low, reprint best sellers and let slow sellers go out of stock for a short period of time.

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Constantly monitor titles because they can shift categories. Once a quarter, review the inventory and decide whether titles have shifted. A book might move from best seller to good seller. Use this information to motivate your sales staff. Ask them what they can do to boost sales of this title. If the title is not meeting expectations, what product will? What products will help you maintain or grow your sales? An inventory management system forces you to review your stock and to decide how you are going to deal with it. When a title has entered the slow-selling category, and based on your annual sales you have more than a two year inventory, what will you do?

Finally, look at your inventory goals and subtract the value of your current inventory. The balance can serve as a guideline for your decisions with regard to the cash that you will invest in inventory for the fiscal year. Make sure that inventories are not rising at a pace that is greater than sales revenues. •

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