

## VITAL SIGNS

# Core competencies

Retailers assess the benefits and drawbacks of core inventory programs

An industry survey by *Christian Retailing*

» BY JIM SEYBERT

More retailers are signing up for suppliers' core inventory programs, but they have mixed opinions on how helpful they are.

We discovered some interesting paradoxes as we surveyed the subject for our latest Vital Signs industry survey.

Although core inventory programs have become more popular in recent years, their foundations date back to the late-19th century and Italian sociologist

## QUESTIONS

The purpose of our Vital Signs series is to raise issues of critical interest to the Christian products industry and in doing so to generate dialogue about them.

- » Do your experiences match those of the stores in our survey?
- » How might existing core inventory efforts be improved?
- » What changes might be brought to the table that would take the concept to a new and more effective level?

Vilfredo Pareto's observation that 20% of the country's population accounted for 80% of its wealth.

That finding gave way to the axiom known as the 80/20 Rule, upon which most core inventory programs available to Christian retailers are based. For our survey, we defined them as programs

"where retailers maintain pre-described stocking levels of specific products determined to be perennially popular among consumers."

Here is what we found:

## SUPPLIERS

Most of the retailers we surveyed agreed with our standard definition, though a handful echoed the sentiment of one who said core inventory plans "force me to purchase product I may not want."

Slightly more than half (55%) of responding stores told us that they use core inventory programs of some kind. Two-thirds said they participate in two or three vendor-sponsored programs. Slightly less than a third (29%) use only one vendor's plan.

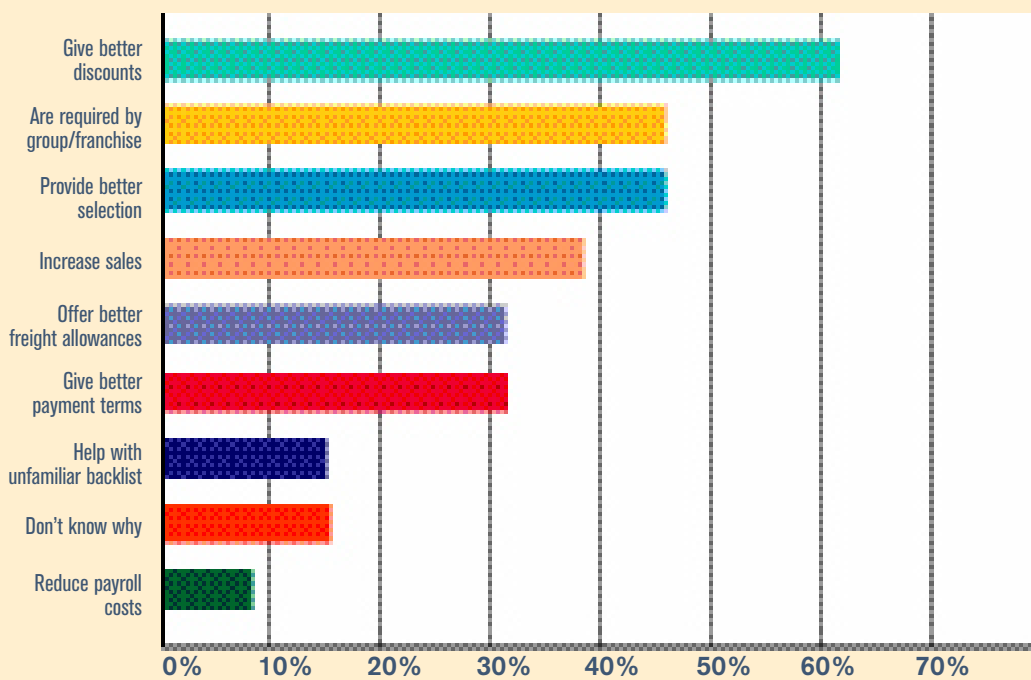
## CATEGORIES

The most common product category covered by core inventory plans is books. Sixty percent of stores pay attention to core inventories in their book section. Bibles are next, with 53% of stores trying to maintain a stock of perennially popular Bible SKUs.

Just under half (47%) pay attention

## Core inventory checklist

Retailers use core inventory programs because they:



to core levels in their music department, while 40% do so for their children's and DVD stock.

A sizable group of stores were early adapters to the concept and have been using core inventory schemes since 2003 or before. Yet, the concept is far from passé. About a third of the stores we surveyed said they started paying attention to core stocking levels within the last year.

## BENEFITS

The No. 1 reason given for using core programs, cited by 62%, was the "better discounts" offered by suppliers to stores who maintain minimum levels of a particular vendor's plan. For 46%, they are required to do so by their marketing group or franchise operator.

One highly touted benefit of core programs is the increased selection and resulting greater sales. We found that 46% of those who use core programs said they achieve better selection under the plans. Just 38% said they've seen sales actually increase as a result.

Lower backroom costs is another touted benefit, but just 7% of stores reported that their participation has actually reduced their expenses.

## ISSUES

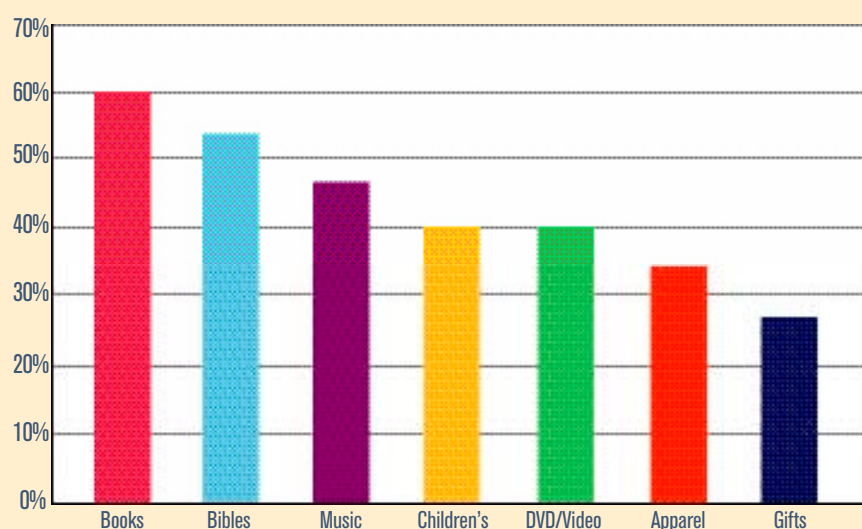
Among some interesting paradoxes at play with regard to core inventory plans were that while 75% of respondents felt that such programs were "more beneficial to suppliers than retailers," at the same time, 85% of retailers said they believe such plans help "reduce costs by streamlining the ordering process."

Additionally, 77% said that core programs "force" them to carry items they "probably wouldn't carry." Meanwhile, 83% recognized that such programs help them carry items they would "probably have missed."

Regional preferences and questions about content were two frequently mentioned reasons for displeasure with core inventory plans, and some stores questioned the return on the effort after considering what they referred to as "a lot of extra work to maintain all the reports" necessary to qualify for some of the programs.

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## Core inventory category usage



The Vital Signs survey was conducted online in July among readers of Christian Retailing's Christian Retailing news service. Of 87 respondents, 33 were independent retailers. Vital Signs is a joint project of Christian Retailing and Jim Seybert, who are solely responsible for its content. Jim Seybert is an author and consultant living in Arroyo Grande, Calif.

**CHRISTIAN RETAILING** **WHAT DO YOU THINK?**  
... of the findings and comments?  
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