

VITAL SIGNS

Taking stock of stocking

Changes in the market are impacting how stores handle their inventory

An industry survey by *Christian Retailing*

» BY JIM SEYBERT

Most Christian retail stores carry less inventory today than they did two years ago, and some of them are looking at what is on their shelves with more scrutiny than ever before, in light of the changing market.

Online purchasing is one of the factors affecting what has long been championed as one of Christian retailers' greatest strengths, backlist, we learned in our latest Vital Signs industry survey.

Here is what we found:

SUPPLY

Two out of five (40%) retailers said that they have maintained the same mix in the past two years of direct orders versus orders through distributors. The balance swings in favor of direct orders among for-profit stores and toward distributor orders at church and school stores.

On average, for-profit stores ordered about 54% of inventory direct from manufacturers and publishers, while church/school stores got 57% of their product from distributors. The trend is moving toward distributors, with 19% of all stores saying they were ordering "significantly more" product from distributors.

CATEGORIES

For-profit stores stock an average of 13,836 different SKUs, while church stores average 9,827. The highest SKU count in our survey came in at 120,000, and the median was 7,350.

Nearly three in five retailers told us that they have reduced the total value of their inventory since January 2009, but while many have cut orders, the average reduction in total inventory figures was just 3.21%. Slightly more than 12% of stores reported no change in their total inventory value since January 2009, and 8% had increased the amount of stock they carry.

A handful of stores reported having completely eliminated some once-standard categories, such as music, apparel and jewelry. And in some stores, new categories are sprouting. A few said they have pumped up their gift selection, and 3% had developed what one retailer referred to as a "Social Issues" section with books on business ethics and poverty, and cause-related gifts.

RETURNS

The most common frequency for stores culling products that had not sold and returning them for credit was once per quarter, with 34% doing this four times a year. However, 14% said that they never process returns.

The average time a title is allowed to stay on the shelf without being marked for return is between six and nine

SUPPLIERS AND DEMAND

Returning unsold merchandise for credit is somewhat peculiar to the book world, with publishers often pointing to the practice as a cost of doing business not found in other channels.

In our survey, the majority (58%) of retailers said they would be unfavorable to any plan that eliminated returns, even one that did so with the promise of steeper discounts.

Most suppliers were not

willing to speak on the record about changing or ending the process, but some shared their frank opinions confidentially:

MARKETING: "Returns benefit publishers by serving as a marketing vehicle. With the promise of returnable merchandise, retailers can lay in greater quantities of product, making the actual product function as visual merchandising."

COUNTERPRODUCTIVE:

"Returns cultivate a model of behavior that is counterproductive to what everyone in the supply chain wants to do, which is reduce inefficiency."

SLOPPY BUYING: "Returns provide a safety net for retailers, but it also promotes sloppy buying and inventory misalignment. Publishers with the most generous terms can use the promise of returns to gain a disproportionate share of retail display space for product that

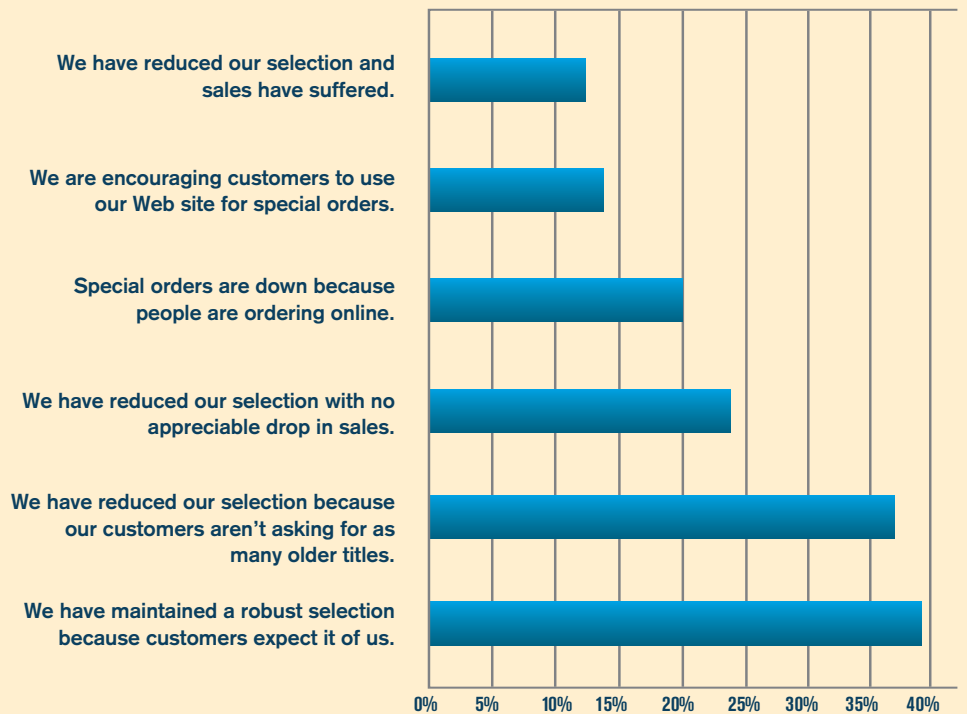
may not be worthy of the attention."

REDUCED COSTS: "Doing away with returns would reduce publisher costs, but would probably not result in a commensurate price reduction to retailers."

INEFFICIENT: "Keep in mind that an entire industry has grown up around this inefficient supply chain. The remainders business benefits publishers and consumers."

Online implications

How has Internet availability of backlist and obscure titles affected your approach to product selection?



months. Two out of five (42%) said they would keep a book six to nine months before pulling it, but 36% of stores did not have any pre-established period of time before pulling a book for return.

One retailer suggested Leonard Shatzkin's *The Mathematics of Bookselling* as a source for learning more about formulas for managing returns.

MANAGEMENT

We were told of many different strategies for managing inventory—Just In

Time, Open to Buy, Core Inventory and others—and stores seemed to use a hybrid that fit their particular needs, expertise or moment in time. Dozens of stores shared their strategies, and these are available online at vitalsigns.christianretailing.com.

DRILLING DOWN

The purpose of Vital Signs is to generate dialogue about important issues in the Christian products industry. As you interact with other retailers, here are some questions you can use to start conversations about inventory:

- Have you eliminated, or added, any categories lately?
- Do you have a set formula for deciding which titles to return?
- How much extra discount would it take for you buy non-returnable titles on an initial order?

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CHRISTIAN RETAILING

WHAT DO YOU THINK?

...of the findings and comments?

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