

Case Study Johnston's Hardware MOVE



"In tough economic times, if a store's not getting Inventory Management help from their software provider - like we get from Pacsoft - they are probably at risk of significant loss."

Marcia Johnston, Owner, Johnston's Hardware

Pacsoft[®]
Inventory Management Specialists

Background

Dan and Marcia Johnston opened their business in Sturgis in 1997. They consulted their hardware wholesaler, United Hardware for recommendations on automation providers for their store. They chose Pacsoft and installed Optemizer in early 1998.

The Johnston's store originally encompassed a wide array of products beyond what a "typical" hardware store carried - such as gifts. As time went on, they continued to make changes to better fit their "niche", but without a great deal of analysis as to how profitable any additions were and without the benefit of re-supplying based on adjusted sales history.

Challenges

The Johnston's were ordering their products manually...they walked the store on a weekly basis, entering quantities that they thought, by experience and intuition, were correct. The order-taking process was highly time consuming, given the size of their store.

However, they had another more critical problem and were the first to

admit that their inventory had become drastically out of balance. They were greatly overstocked on slow moving items and often missing sales on items whose sales were trending upward. They needed help to turn their store around and to take control of their inventory expenditures.

Pacsoft's Solution

At the time the Johnston's were looking for help, Pacsoft was developing its MOVE program, which was designed to assist retailers in accomplishing the critical tasks of Inventory Management.

The Johnston's and Pacsoft partnered in utilizing and testing the pilot MOVE program, the result of which was the seven-step process (from item file clean-up to counting on-hands, to departmental performance analysis) that takes the retailer fully into Inventory Management.

The Optemizer Result

- Following MOVE guidelines, inventories were counted, then accurately maintained
- Automatic Ordering - Using Scientific

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| Pacsoft | 5 Users |
| Implemented | 1998 |
| www.hardwarehank.com | |

Results Summary

- Average Stock on Hand reduced for 5 consecutive years; total cash release, \$103,000
- Inventory Turns improved from 1.4 to 1.8 Turns
- Significant savings to rent overhead leading to a greater contribution to profitability

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Buying - was initiated for each department

- Average Stock on Hand reduced for 5 consecutive years; total cash released: \$103,000
- Average Inventory Turn over 5 years improved 1.4 to 1.8

An even more impressive MOVE result: the Johnston's were able to analyze their departmental performance, and realized that they had too much "real estate" in slow-moving categories.

Because of this, they consolidated their product offering into a smaller space without compromising sales, resulting in a significant savings to rent overhead and a greater contribution to profitability.

"Until earlier this year, our 10,000 square foot store's inventories were managed by the seat of our pants. Meaning that in the most of our day-to-day buying decisions, we used our experience rather than any automatic ordering capabilities the Pacsoft system had to offer.

That changed when we worked with the MOVE program to learn about setting up the store for Scientific Buying - one department at a time.

We established base-line performance figures for 'before and after' purposes.

It's taken the guess work out of how much to order any given item, keeping our inventory levels at the proper place. The MOVE program puts inventory management easily within the reach of any retailer who wants to make the commitment to it."



About Pacsoft

Since 1984 Pacsoft has helped hundreds of businesses worldwide get control of their inventory issues. Pacsoft takes great pride in ensuring complete customer satisfaction by providing the highest level of professional service and a highly effective inventory management solution.

We make Our Customers Money by Improving their Efficiency and Profit

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