



TIPS FOR MANAGING INVENTORY

Capacity, Ordering, and Having Materials when you need them

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Product Businesses are Different

If you are selling a physical product, a lot of the business advice online doesn't serve you.

There are a lot of moving parts, particularly if you are a maker- doing the actual production of your end product to bring it to market.

This guide addresses a key issue for products businesses, managing inventory.

As you grow, you need more cash to buy the inventory or raw materials you need to have more to sell, yet...

It is VERY, VERY, VERY easy to overbuy inventory in a products business. In fact, suppliers give volume discounts.

It is important to remember that any money you have tied up in inventory is money that you do not have available for other things.

So, how do you have the "right" amount on hand, but now overspend and tie up cash?

Use the following four strategies to manage your inventory spend!

1. Understand Your Capacity

How much can you actually produce?

You need to understand exactly how much of your products you can make (or buy as a reseller), and what you need to keep up with production.

My coffee roastery has a capacity to produce so many pounds of roasted coffee in each roaster per day. And a capacity to package the coffee for sale every day.

If we start to sell up to the daily capacity- we need to make a decision to purchase more equipment or hire more staff.

Do you know how many widgets you can make a day?

Do you have piles of materials around that need to be made into an end product? Do you need to increase production?

On the flip side- are you struggling to fill orders? Are you always running out of the things you need?

Things that affect capacity: time, money for materials, and inefficiencies.

2. Know Your Vendors & Lead Times

How long does it take to get your order?

Some of our vendors deliver in 3-4 days, some take a week, some close to two weeks.

Knowing how long it takes to receive our inventory helps me plan for when things need to be purchased.

Write down your preferred vendor and find a backup.

This is important just in case there are delays or your preferred vendor is out of stock.

Write down how long it takes to get your order.

Know your longest lead time items.

Note any purchase amounts that trigger free shipping.

3. Understand Your Inventory "Turn"

Know how fast your products sell.

What are your top sellers?

Biggest volume every month?

How about the slowest items? How long do they sit?

Knowing your top sellers and the items that need to be on a regular schedule of ordering will prevent the “feast and famine” of inventory orders swinging hundreds of dollars each week.

It's also helpful to plan your sales strategy, so you know when you may need more or less of an item

For example, we create and sell a "Holiday Blend" coffee from Mid-October through December 31st each year. We order what we need to bring that to market, then we won't reorder until the next September.

4. Set Triggers to Reorder

Keep in mind how often you can get a delivery from your suppliers.

Set up triggers to know when to order materials when things are running low, so you don't order too late or too soon.

If you can, get into a rhythm of spending the same amount for inventory on a cycle. it can help you predict what cash you need to have to buy.

For example, I order coffee bags about every 6 weeks. I order other materials when we have one box left in stock.

Reexamine your capacity if you find you are spending more and more... meaning you are growing!

A note on ordering bulk: Consider whether the savings of \$40.00 worth the additional \$277.00 you spent on your shelf, in your walk-in or freezer.

It's okay to order only exactly what you need to keep cash flow positive.

Ready to Grow Your Products Business to 6 Figures?

Managing inventory is one important part of your successful products business. But so is pricing, production, cash flow, sales strategy, marketing, and more!

When you are ready to go deeper and look at your profit margins and other numbers to make a customized checklist that will put you on track to making more money and keeping more profit (and perhaps taking a bigger paycheck).

Book a free support session with Dawn to learn your next steps by visiting:

<https://calendly.com/dawnkennedy/30min>

Who is Dawn Kennedy?



Dawn is a business consultant, author, podcaster, and the CEO of Convoy Road Coffee Roasters. She is passionate in helping small businesses thrive, and helping entrepreneurs create their own legacy.

Learn more about Dawn by visiting the website:

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