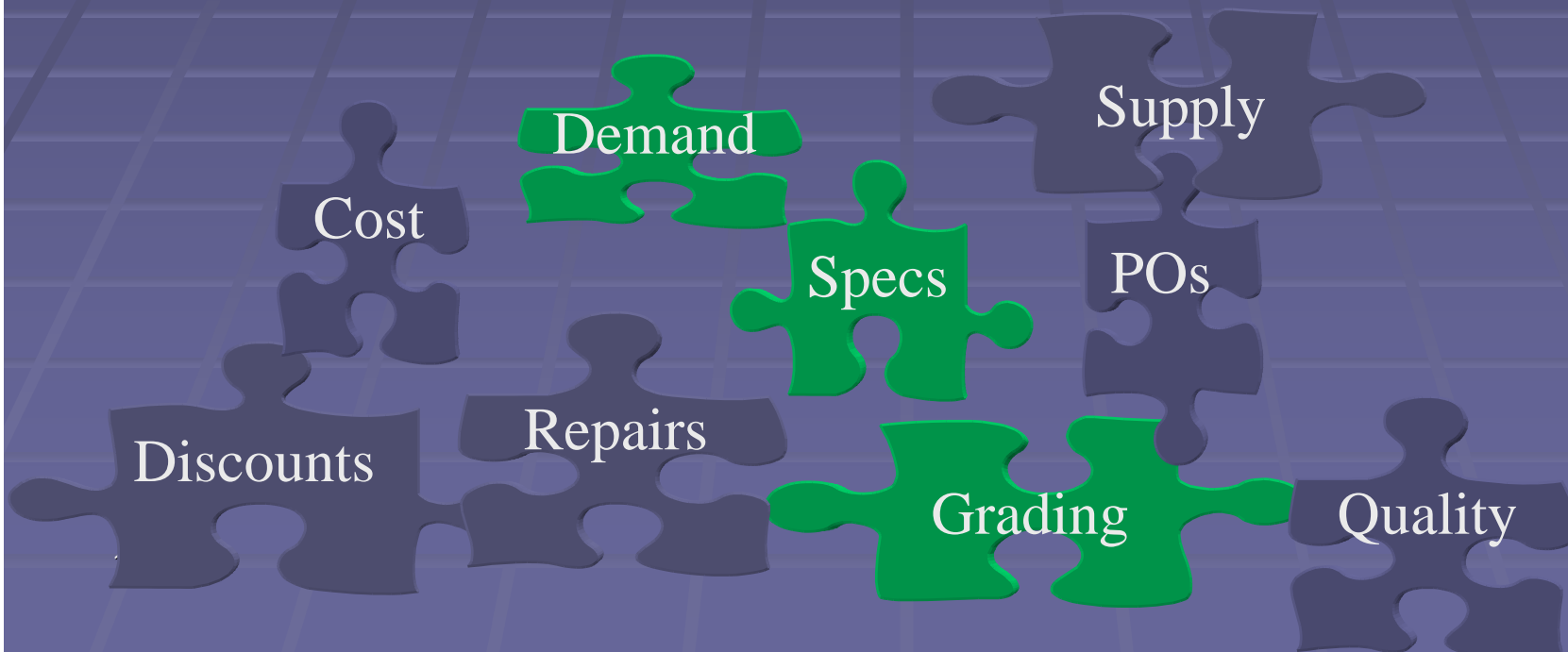


Merchandise Management

- Which elements of “merchandise” can be managed?
 - 1) Supply chain
 - 2) Cost management
 - 3) Quality management
 - 4) Shipping procedures

Overview

- Merchandise costs = Largest expense
- Solving the puzzle = Increased profits



Managing Your Supply Chain

- Goal: Ability to ship specified products to customers ON TIME
- Information needed to successfully manage your supply chain:
 - 1) Current average and peak demand for each product supplied
 - 2) Any anticipated increases in demand
 - 3) Length of time to receive new product from supplier
 - 4) Target Inventory levels, reorder points and reorder quantities

Supply & Demand

- Determine Demand Needs
 - 1) Demand from customers by product & day
 - 2) Plant turnaround time by product
 - 3) Product shipped to depots
 - 4) Extra inventory for new accounts
 - 5) Percentage of product to be upgraded
 - 6) Reports and trend analysis

Supply & Demand

- Determine Supply Realities
 - 1) Lead time from each supplier
 - 2) Volume discount from each supplier
 - 3) Cost from each supplier
 - 4) Quality from each supplier

Injection Planning

- Order “triggers”
 - A) Large New Accounts
 - B) Regular upgrading
 - C) Periodic inventories
 - D) Reorder points



LINENROOM INVENTORY TRACKING

ITEM DESCRIPTION	SERVICEABLE USED ITEM INVENTORY									
	INV. DAY	AVG. DAILY USAGE	WEEKLY INVENTORY AFTER LOADS ARE MADE UP — 8-WEEK TREND							
			11/7	11/14	11/21	11/28	12/5	12/12	12/19	12/26
20X40 BATH, WH 1ST QUAL	TH	1,000	1,100	900	800	850	600	400	450	300
20X40 BATH, WH 2ND QUAL	TH	500								
WASHCLOTHS, WH	TH	1,500								
BAR MOPS	W	2,000								

In this example, item inventory for first-quality white 20" x 40" bath towels is declining.



LINENROOM INVENTORY TRACKING

ITEM DESCRIPTION	SEASONAL SERVICEABLE USED ITEM INVENTORY									
	INV. DAY	AVG. DAILY USAGE	WEEKLY INVENTORY AFTER LOADS ARE MADE UP — 8-WEEK TREND							
			4/1	4/8	4/15	4/22	4/29	5/6	5/13	5/20
20X40 BATH, WH 1ST QUAL	TH	500	450	500	580	600	650	800	750	800
20X40 BATH, WH 2ND QUAL	TH									
WASHCLOTHS, WH	TH									
BAR MOPS	W									

In this example, item inventory for first-quality white 20" x 40" bath towels is increasing.



Textile Rental Co.

PIECE PUT-IN PLAN (SEASONAL ITEMS)

ITEM DESCRIPTION	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	YEAR-TO-DATE AVERAGE WEEKLY
TO-7265-WHIT-17X26 MESSAGE TOWEL													
PIECES SERVICED LAST YEAR: AVG. WEEKLY	6,000	5,000	4,000	4,200	3,900	4,000	6,000	9,000	12,000	12,500	12,200	9,000	7,320 (87,800 + 12)
ESTIMATED CHANGE: +5%	300	250	200	210	195	200	300	450	600	625	610	450	
EST. PIECES SERV'D IN PLAN YEAR + AVG. WEEKLY	6,300	5,250	4,200	4,410	4,095	4,200	6,300	9,450	12,600	13,125	12,810	9,450	7,680 (92,190 + 12)
PUT-IN NEEDS (PER WEEK)													+ 360 WK
RAG-OUT AND L&R	315	265	210	220	205	210	315	475	630	655	640	470	385 WK X 52 = 20,200
GROWTH					300	300	300						900
TOTAL PUT-IN NEEDS (PER WEEK)	315	265	210	220	505	510	615	475	630	655	640	470	20,920
ORDERING SCHEDULE (50 DZ. PER CASE)	3 CS	1 CS	2 CS	1 CS	2 CS	3 CS	2 CS	4 CS	5 CS	4 CS	5 CS	3 CS	35 CS 21,000 PIECES

Ordering Documents

- 1) Purchase orders
- 2) Shippers
- 3) Invoices
- Three way matching: Approved PO + Signed Shipper= Paid Invoice
- Tracking Purchases

Warehousing

- Facility should be appropriate to use (size, structurally sound, clean)
- Should size determine product volume OR product volume determine size?
- Proper equipment on hand (lighting, labeled racks, containers, forklift, etc.)
- Efficient product flow (LIFO vs. FIFO)
- Security
- Centralized or Decentralized?

Centralized advantages

- Frees up space at individual plants
- Central inventory should be less than the sum of several decentralized warehouses
- Better purchasing leverage
- Faster turnaround on large orders
- More efficient use of labor

Centralized disadvantages

- Loss of “hands on” control at plant level
- Requirement for mutually agreed upon grading standards, taping procedures, hanging/folding standard
- “Everyone can’t be first”: Reduced local flexibility
- “All eggs are in one basket”

Layout

- Reduce travel distance for high volume products
- Reduce handling
 - Portable storage
 - Conveyors
 - Just in Time
- LIFO, FIFO and product that is never used
- Safety should be a priority

Managing Merchandise Costs

- Purchase price
- Processing labor
- Product longevity

Dealing with Suppliers

- Bid specifications
 - 1) Description
 - 2) Size
 - 3) Composition (ie: Nylon or polyester)
 - 4) Color
 - 5) Weight (ie: lbs per bale)
 - 6) Construction
 - 7) Delivery costs and timetables

Finding the Best Value

- Competitive bids from several suppliers
- Bid specs and RFPs should make it “Apples vs. Apples”
- Freight and terms are part of the equation
- Technical & sales support are value added
- Explore volume discounts and price guarantees
- Best price does not necessarily mean best value
- Reliable supply as important as price
- Primary and secondary suppliers

Buying Groups & Cost Groups

- Small companies grouped together increase their buying power
- Pre-negotiated prices
- Annual dues
- Regular meetings w/ information sharing
- A mandatory % of product to be purchased from group suppliers

Consignment Inventory

- 1) Often used when supplier is geographically distant from the customer
- 2) Requires additional storage space at your facility
- 3) Requires a periodic physical inventory with supplier present
- 4) Full case is charged for when case is opened
- 5) Cases are generally replaced as they are used
- 6) Reduces lead time to zero for products in C.I.

Written Supplier Agreements

- Specifications as agreed to
- Pricing and terms as agreed to
- Warranties and remedies
- Should be drafted by legal counsel
- Can pay dividends in the event of major product failure problems

Cost Control Opportunities in Your Processing Plant

- Proper washroom chemistry maximizes product life.
- Your product supplier and/or chemical supplier should audit this for you.
- Talk to menders and graders. Look for high incidences of particular product failures.
- Mat repair, re-dyeing, reclamation wash
- Controlling inventory to prevent “shrinkage”
- Preventing rewash “merry-go-round”
- Proper inventory levels can reduce labor

Soilroom Procedures

- Counting (or weighing) soiled items
- Proper classification of soiled products
- Identifying abuse
- Proper load weights

Stockroom Procedures

- Garment graders are key to cost control
- Grading system should get the appropriate garment to each customer
- Time is of the essence
- New for Used is the key result indicator
- Perpetual Inventory enables you to capture every opportunity to utilize used garments

Managing Merchandise Quality

Delivering a product that meets or exceeds specifications”

Quality Audits of New Product

Processed Product Quality

Shipped & Received Quantities are an important aspect of quality

New Product Quality

- Quality Control for towels
 - 1) Bid specifications
 - 2) Verifying quantity received
 - 3) Examining product from each bale
 - Threads per inch
 - Sewn edges
 - Mercury free dyes for shop towels

Auditing Compliance to Bid Specs

Construction & Specifications

- Yarn count
- Yarn sizes
- Nominal weight
- Cotton or blend percentage
- Color
- Size by product type
- Finishing
- Hemming
- Reinforcement
- Tensile Strength

Other Auditing Procedures for New Products

- 1) Physically counting all a specified % of received product or weighing bales
- 2) Visually inspecting product for defects
- 3) Isolating test pieces to measure shrinkage, durability, pilling, color loss, etc.

Quality Assurance for Processed Products

- Individual operator audits
 - 2% + random sample
 - Generate a quality rating for each operator
 - Provide feedback to employees
 - Develops accountability
- Shipped Product Audits
 - Audit entire containers to develop a plant quality score
- Service Dept. Questionnaires
 - Validates internal audits

Shipping Bulk Products to Customers

- 1) Goal: To ship specified product to customers, on time
- 2) Delayed delivery vs. Even exchange
- 3) How are shipping quantities determined in your company?
- 4) Sufficient inventory of bulk products avoids unnecessary labor caused by shortages
- 5) Do you control the inventory at each customer?

Shipping Garments to Customers

- 1) Minimizing Shortages
- 2) Single stock vs. Double stock
- 3) Handling Quits, Add men, RANs and plant replacements
- 4) Loose pieces
- 5) Do you ship to depots?
- 6) To book or not to book?

Special Products

- 1) Logo mats: How to store and ship?
- 2) NOG garments, gloves and rags
- 3) Consumable products: Paper, air fresheners
- 4) Why you need a system

Product Security

- Verifying soiled return counts
- Should routemen have access to inventory?
- Auditing product at customer locations
- Trailer security
- Physical inventories
- Comparing usage to purchases

Summary

- Merchandise purchases are your biggest expense
- Managing Merchandise requires contributions from all of your employees and your entire service department
- The four major areas are:
 - 1) Supply Chain
 - 2) Cost management
 - 3) Quality management
 - 4) Shipping procedures

Test Questions

- 1) Which of the following is NOT a cost item impacted by the soilroom?:
 - A) Proper load weights
 - B) Identifying abuse accounts
 - C) Negotiating the best price
 - D) Proper classification of soiled products

Questions

- 2) Which employee in your plant would be the most likely to identify high incidences of a particular garment failure?:
 - A) Washman
 - B) Soil counter
 - C) Mender
 - D) Union steward

Questions

- 3) Which item does not determine which supplier provides the best value?:
 - A) Price
 - B) Freight and terms
 - C) Reliability of delivery
 - D) Size of the company

Questions

- 4) Which item is a key result indicator of how well the stockroom is controlling merchandise costs?:
 - A) Labor as a % of revenue
 - B) # of employees
 - C) Pieces shipped per operator hour
 - D) New for used

Questions

- 5) Which of the following items is the most difficult to predict when establishing an injection plan:
 - A) % of inventory that is worn out each week
 - B) # of days from ordering product until receipt of product
 - C) Seasonal usage swings
 - D) Volume required to stock new accounts