

## Operations & Systems

by Eric Grimm

# Technology Applied to Customer Demand

Above The Treeline case study reports benefits in inventory optimization.

**A** two-year Above The Treeline case study demonstrates the power of applying technology to optimize inventory management.

**Four of the largest multi-store, general-market booksellers using Above The Treeline’s inventory-management software reported group aggregate**

sales jumped 13%—or \$9.3 million—while average inventories declined 0.5% (\$174,000) during the past 12 months. Above The Treeline’s Bob Steele said the companies focused on increasing turns and used the software to do that. He said on average bookseller inventory turns increased 24% over the two-year

period studied, resulting in the sales increase.

The four retailers reported combined revenues of more than \$79 million last year.

Steele pointed out some “interesting things” on a case-study chart. “One store was doing 2.94 turns when it

started. Just about any bookseller would consider that good, but using the software improved performance and resulted in bumping turns to 3.05,” he said. “It shows that if you’re doing well you still can do better.”

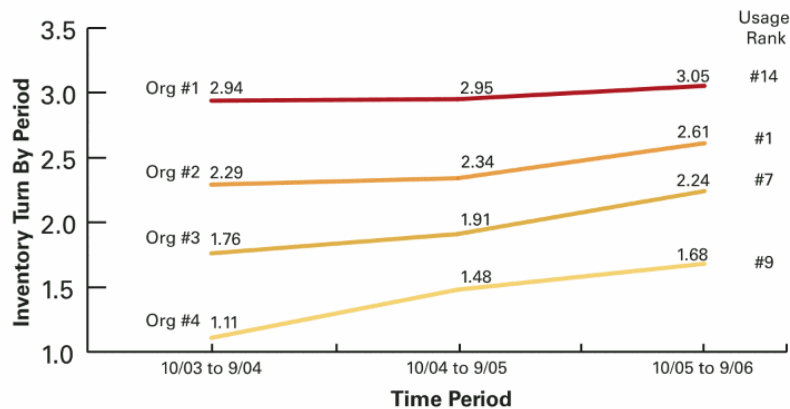
One retailer started the study with 1.1 turns and increased them to 1.48 during the study period.

Steele said Treeline can work for any-size store. “Regardless of where they are with their inventory-turns management, it can help good stores get better and bad stores get well,” he said.

If a small store with \$500,000 in sales experienced the average results reported in Treeline’s case study, it could be looking at a \$65,000 sales increase.

Optimizing inventory performance can free up cash. “All the stores in the study are earning better gross-margin return on inventory investment,” Steele says. “Their inventory levels have stayed nearly the same, but for the same dollars invested in inventory they’re getting a higher return on their investments.”

**Inventory Turn Trend for the Four Case Study Organizations**  
October 2003 – September 2006



### DATA & CUSTOMERS

The industry increasingly is moving

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toward greater technology application in data management and services to better serve customers

The Treeline software helps maximize inventory performance by tracking fastest-turning product, optimizing product-category mix, identifying non-moving product for returns, and ensuring retailers don't miss titles that would sell to their identified core customers.

CBA Training & Consulting Manager Mike Hockett uses the software to coach retailers to better performance, helping retailers develop their strategies on how to best serve individual marketplaces in accord with store mission. Most of the industry's core-inventory lists are very general or supplier-driven, Hockett says. "But we need to move toward a more segmented approach based on who our customers are and what the store is about."

### CROSS:SCAN ALIGNMENT

A recently expanded agreement between CBA and Above The Treeline enhances retailers' view of Christian products and performance throughout the Christian Retail Channel. The agreement makes retailer participation in CROSS:SCAN data collection and reporting easier, with improved access to data interpretation through Treeline graphic tools.

Hockett says CROSS:SCAN (Christian Retail Official Sales Statistics) provides retailers a high-level view of product demand nationwide. For Treeline subscribers, CROSS:SCAN provides a robust perspective to identify key titles, sales velocity, in-stock rates, and other important factors. CROSS:SCAN data that goes through Treeline's free Base Camp version offers easy-to-use, colorful charts and graphs that measure and present key performance metrics for better retailer decision-making.

CROSS:SCAN operates from the position that retailer POS information should be owned and controlled by retailers. That means retailers decide who should see their data and how, and it helps give retailers competitive advantages.

If retailers consent, their CROSS:SCAN data also may feed into Treeline's advanced Summit version, offering them the most robust views of product demand and crucial intelligence to help them decide what to buy when for maximum profitability and least cost.

### TREELINE OFFERINGS EXPAND

Based on retailer input, John Rubin,

Treeline founder-president, said an open-to-buy budgeting tool is being tested. It uses POS beginning-inventory data and strategic forecasting to develop budgets by department, product category, or store level. Retailers get a real-time look not only at product movement, but also their financial capability to meet sales and merchandising goals.

Rubin also announced the Above The Treeline University, a Web-based series of free classes to help Treeline subscribers get the most from the tool. The university offers the basics, plus advance applications in category-mix optimization, supplier collaboration, and budgeting.

### CHANGING PARADIGMS

Treeline's Steele says new data services are changing how retail does business. Retailers, especially smaller independents, are reluctant or skeptical about sharing data. According to CBA's State of the Industry survey presented at Advance this year, 52.6% of Christian retailers don't share data with suppliers. Nearly 40% share inventory levels and units-sold data. Retailers are also reluctant to share information with other retailers.

Steele thinks the resistance is based on a misconception of who may see the data and how it may get used. He says about 220 stores use Treeline, and data is shared among those stores in aggregate without identifying other stores.

"Above The Treeline is introducing a paradigm shift in the industry," Steele says. "This hasn't been done before at this level, and you know how hard it is to do something differently. But those using Treeline are receiving great value from it."

Hockett says one of Treeline's most valuable benefits is helping retailers quickly spot problems so they can prioritize what they spend their time on. "They can work smarter, not harder," he says. "I've found for retailers who don't use Treeline it takes a lot more work to organize and collect data to see the big-picture problems, and they don't know where to spend their energy." **AR**

*CBA Retail Technology & Strategy Manager Eric Grimm is chairman of the industry's Christian Retail Solutions Committee.*



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The Official Magazine of CBA

## Coming Next Month

**AspiringRetail**  
MAGAZINE

June 2007

### Christmas

So, did you take Britt Beemer's advice and put up a Christmas tree in your store last year? Your fellow Christian retailers share how they drove traffic (or not) into their stores last Christmas—and how they plan to ensure a successful Christmas season this year.

### 2007 International Christian Retail Show Planning Guide

Get ready for the big show! Atlanta promises to be a great venue for this summer's International Christian Retail Show. This official guide to the show will help you prepare.

### Gift Buying

Veteran retailers and suppliers offer advice, tips, and helpful information on making the most of your gift-buying time at the International Christian Retail Show.

### Locating a Tax Professional

Finding the right tax professional for your business needs is an investment in your financial future.

### Plus:

Product Showcase: Christmas books, music, and gifts; and choral music

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