



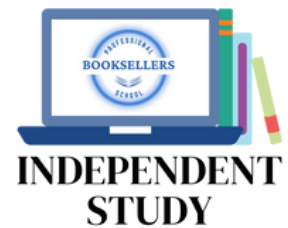
INDEPENDENT STUDY

Inventory Decisions & Store Layout

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Preventing Shrinkage & Customer Damages



Loss, also known as shrinkage, is a constant problem for any retail establishment but inevitable. While there are many things you can try to do, the best method of loss prevention is very attentive customer service.

Make sure booksellers are getting out from behind the desk and interacting with customers. This is a good practice in any case, plus you're going to get less shoplifting when potential thieves have a hard time finding a blind corner or ducking behind a shelf. Greeting customers as they come in, letting them know you are available to help them, and making them feel valued and seen is the best way to keep an eye on the store.

Being present in all parts of the store when customers are around - doing inventory, doing pulls, shelving where there are large groups of people are some good strategies. Also, being aware of where individuals are lingering for long periods of time and not forgetting about them is key. Someone will hang around for a long time browsing in a particular area, and they are there for so long you kind of stop noticing them, and then - bing! They're out the door, sometimes with a book inside their coat.

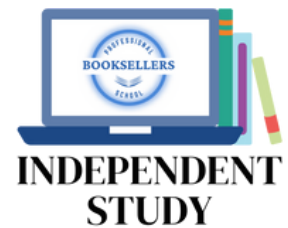
Update your inventory whenever you discover a book is missing, so you can track where shrinkage is happening the most. Book shoplifting is weird and idiosyncratic, and every store is going to have a different pattern -- it might be Bukowski or tarot cards. Shoplifters' tastes evolve.

If you notice fixtures where theft is a particular problem, try moving stock around to keep frequently-stolen items closer to the register, or out of a hidden corner. This is definitely not a cure-all, as some of the most shoplifted items some stores have had were actually on the front counter right in front of the register, and staff has gone through security footage to watch a shoplifter meticulously unloading a display of reading glasses four feet away from the counter. But it can help.

For sidelines, keep small and easily pocketable stuff up at the register, and keep an eye on displays, so you can react if a whole fixture is suddenly empty. Keep an eye out for price tags that have been dumped. Track your losses, and figure out if there are types of merchandise it's just not worth it to stock. Keeping items at the register isn't necessarily going to work, either, shoplifters are skilled at not being noticed, or at pocketing something while they're paying for something else.



Preventing Shrinkage & Customer Damages



Shrinkage isn't just about theft. If your POS system doesn't automatically process online sales, you need to make sure every book sold online gets sold through the POS register as well, or else it's going to become a missing book. That's an inventory management problem, because maybe you could have sold another copy of that book if you'd restocked it after it sold.

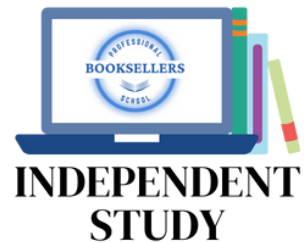
In-store damages can also result in a kind of shrinkage. Keep children's books with stickers inside, little toys integrated into the cover, and fragile pop-ups where you can keep an eye on them. Many parents don't watch their kiddos close enough to prevent little ones who don't know better from unpeeling stickers, tearing out the little Lego minifigures, and generally being very hard on books they have no intention of buying. You can keep crates of used books on the floor in kids' sections so they have bombproof books available to handle, and keep your hardcover picture books at grownup heights, not near the floor. Also be careful that heavy books on high shelves are displayed with a sturdy book rack. If you just prop it open face out, it can lose its balance and topple to the floor, ruining an expensive book in seconds. (Or worse, hit a customer on the head!)

Shrinkage can be a concern outside physical stores too. Make sure you know exactly what you have with you at your event or pop-up, and before you leave, check that the number of books you're taking home is what you're expecting. If you're selling piles of one title at an author event, don't keep all the books on top of your sales table where it's easy for someone in a big line to grab one unnoticed while you're helping someone else. Keep most of the books in boxes by your feet and restock the small pile on the table as needed.

If you have a permanent physical space, it could be important to also invest in a fairly decent camera system. It's not much of a deterrent in itself, but it can be useful after the fact -- if you notice a rack of socks is suddenly empty, you can go back through the footage to see when it happened, and you can grab an image of the thief. Chances are you'll find repeat offenders, so it can help to print stills to let staff know who to look out for.



Physical Inventory



How your store handles taking an annual physical inventory will depend on several factors including your POS system, the size of your stock, your personal inclinations, and how many staff you have. But some of the principles of taking an annual physical inventory remain the same, as well as the preparatory steps leading up to it.

There are several ways to do inventory.

- Manually, or with scanners.
- All at once in a day or two or three depending on your store size and number of staff, or in sections.

Whichever ways that you choose from above, you really have to be closed while you are doing your counting with no receiving or sales happening, otherwise you risk too many errors. It can be scary to be closed for a few days to do the PI for a whole store, but it's a common annual retail process and your customers will get used to it. If you work in sections only, you can do those overnight, and avoid being closed.

If your POS system is a good one it will have exhaustive training and instructions about how to do a physical inventory using that POS. If you don't have this resource, you'll need to figure out a system for doing your inventory. Other store owners who use your same POS would be a good resource for figuring this out; there are POS user groups on Facebook, for example.

Inventory Prep

If you are able to time a big store-wide return in the months and weeks leading up to your inventory process, or if you can do it shortly after your busiest time of year, that will reduce the amount of inventory you need to count.

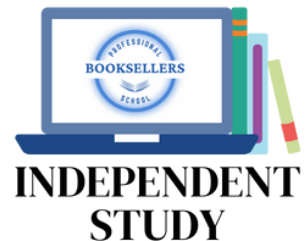
In anticipation of a physical inventory process there is one main task to do throughout the entire store: section clean-ups for every section.

The steps are:

- Go through the entire store stock and get books and non-books into the sections in which they are best suited for selling, resectioning as you go. This is both a physical process and a POS process, as you want your POS section assignment to match the book's physical location in the store.



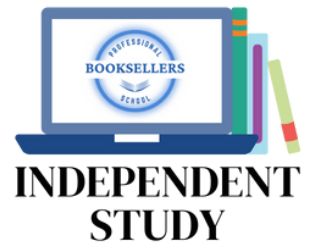
Physical Inventory



- Non-book items should most often be sectioned and physically organized by genre such as candles, jigsaw puzzles, socks etc.
- After that process is done, start your section cleanups, it includes books as well as non-book items. Make sure the section is organized/alphabetized, then print your section report to determine what is there that is supposed to be there, and what is not there that is supposed to be there. Try to find missing things and either correct the section to where it is actually shelved, or move it into the section that is assigned to it. If you can't find something, enlist more eyes to look for it. Truly missing items should be noted for follow-up. Maybe someone will find it during this whole prep process or during the physical inventory itself.
- Always start out with a place to save each section check and to keep track - physically or digitally - of which sections have been checked and whether corrections have been made. A printout of your store's list of sections on a clipboard will work, but you could make a spreadsheet too.
- All staff should help with this in between helping customers. Not only is it good for inventory prepping, it's good to get everyone familiar with what is in the sections.
- Get through every single section and every thing in your stock in just a few weeks or maybe a month before your annual physical inventory is scheduled to begin.
- For non-book sections, keeping like with like and making sure nothing is hidden or buried or boxed up somewhere that is easily missed will be key to getting section clean-ups and then inventory done efficiently. A lot of things have to be counted manually and you have to take them off the display, count, then re-display.
- For special orders, please make sure that the prepaid special orders have all been scanned out properly, and for unpaid special orders, please notify customers of the upcoming closure for inventory, and find out if they'll be able to pick up the books before the inventory starts, or if they would like to pay for them over the phone, so you can get them out of inventory and ready for them to pick up from the prepaid SPO shelf.



Physical Inventory

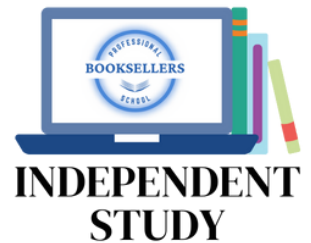


Doing the Physical Inventory

- If you are using your POS system, carefully read their training materials and watch their training videos so you know exactly what the steps are and how to handle scanning batches of books and uploading the batches into your POS, and then processing them.
- Electronic barcode scanners for doing inventory are on lanyards that you can wear around your neck; they are super handy but have a few audible sounds that mean different things. Make sure everyone that is using them knows exactly how to scan a barcode and how to delete the last scan you made (in case of a mistake). Make sure everyone knows what a successful scan sounds like. Know how many scans you can do in a batch and make a plan for dividing your larger sections into chunks.
- Print out your section list or make a spreadsheet of all your sections so you can keep track of which sections have been scanned, uploaded, corrected, and posted to your PI.
- Items that won't scan can be set aside into a pile for handling manually at the end.
- Items that you don't scan (greeting cards or other non-barcode items etc.) should also be manually counted and corrected at the end, before you do your final PI posting. It's easier to take everything off of a display onto a portable table, and then count items as you return items to the display. Mark it with a sticky note once the count has been written down for handling manually. Count items in whatever way they are recorded in your inventory system. If needed you can print out a section report and manually check quantities from that list.
- Doing physical inventory is also a great time to do a thorough physical cleaning of your shelves, tables, displays etc.
- A best practice for manual inventories, if your staff size allows it, is to have three people involved in each section check with initials and dates at the top of the page for each step.



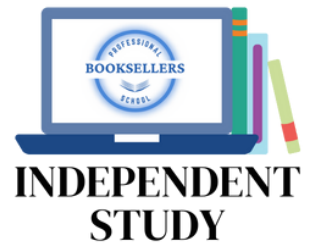
Physical Inventory



- Person one is the first-looker - they go meticulously through the section. We also have them check displays and a place or two they happen to think a missing book may be, such as on the special order or return shelves.
- The next person is the second-looker. They focus only on the books whose inventory is off. For a missing book, they'd first check the spot on the shelf that it should be, in case the first person happened to miss the book - and then to spend more time looking in all the less obvious places. This will vary based on your store's organization, but might be overstock or deep overstock, return shelves, special orders or holds, or sections where a book might conceivably be misshelved if someone perhaps happened to maybe not scan it before shelving and guessed wrong - which I'm sure you and your booksellers never do.
- Finally, a manager or experienced staff member should do the final corrections in your POS system. They might see five missing copies of a title and immediately know that they were sent to an offsite and weren't transferred out of inventory or whatever the story is.



Shelving and Merchandising



Bill's Shelving and Display Rules of Thumb

These standard approaches to shelving and display have been effective in the past. Other approaches are fine, as long as there are concrete reasons why a different approach is at least as good, if not better, than the approach outlined here. Otherwise, it is best to stick to these guidelines. When considering alternate approaches, the most important factor is whether it works from the customer's perspective, and then, whether other booksellers will be able to locate the titles.

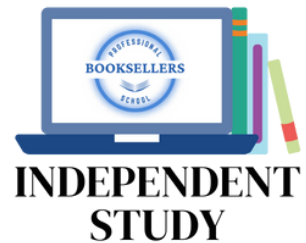
Shelving a section

Bookcases:

1. In most sections, pull books flush to the edge of the shelves.
2. In mass market sections, push books to the back of the case.
3. Tighten case so books stand up straight, but are not too tight to pull out.
4. Fill all spine-out shelves, so you wind up with a bookend on the bottom shelf only.
5. Display shelves should be at eye level on tall cases, top shelf on short cases.
6. Display shelves should be all at the same height throughout the section.
7. Exception: use face-out displays to divide subsections.
8. Try to leave at least a gap between subsections.
9. Try not to split a small subsection between two cases.
10. On a spine-out shelf, only face-out a title if you have enough copies to fill the shelf.
11. Do not face-out more than one stack of a title.
12. Do not put more than one or two spine-out copies next to a face-out stack of the same title.
13. If a section has no subsections, put a shelf label at the same height on each case.
14. On tall cases, put the shelf label at eye height; on short cases, label the top shelf
15. Label every subsection.
16. If a section has many subsections, label every shelf.
17. If a book is on display elsewhere, at least one copy should be in the section.
18. Every book in overstock should be represented in the section.
19. Oversized books should go on the top shelf of the case they would be on alphabetically.
20. There should be no bare shelves.



Shelving and Merchandising



Display shelves

1. Choose titles for display on the basis of interest, newness, customer appeal, and how likely they are to sell.
2. In some cases, choose titles on the basis of a common theme.
3. In general, display titles on the same case they would be on alphabetically.
4. Do not display the same title in many places: maximize the number of titles displayed.
5. Arrange titles so the mix of color, size, and depth of stacks looks appealing.
6. Try to put books of contrasting color next to each other.
7. Minimize gaps between titles.
8. Rotate titles on display often.

Tables

1. Standard section display tables should be "tiered".
2. Books should be placed on the table in stacks.
3. Stacks of books should be arranged in rows.
4. All the stacks in a row should consist of books of equal (or close to equal) size.
5. All the stacks in a row should be of equal height.
6. There should be no gaps between the stacks in a row.
7. Try to put books of contrasting color next to each other in a row.
8. Rows should face all four sides of a table.
9. The first row, next to the edge of the table, should be about two copies high.
10. The next row back should be directly behind the first row, and about two copies higher.
11. Rows should never hang over the edge of the table.
12. Choose titles for a table on the basis of interest, newness, customer appeal, and how likely they are to sell.
13. Include a large portion of trade paperbacks on a section display table.
14. Put titles of higher interest on the most high traffic side of the table.
15. Rotate titles frequently.
16. Restock titles often, so stacks don't become uneven in a row.
17. Do not display more than one stack of any title on a table.
18. Do not put books spine-out under a table tree.
19. Do not put a book on a wire holder on top of a stack.



Shelving and Merchandising

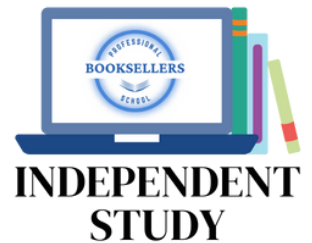


Table Trees

- Handle table tree displays like you handle a display shelf in a section.
- Table trees give very high visibility to titles; use them for titles you want to emphasize.
- Table trees are often effective places to display oversize books.
- Typically, put just two or three copies of a title on a table tree.
- Do not use table trees for mass market or small format books.

Section Goals Checklist

Center Display Table

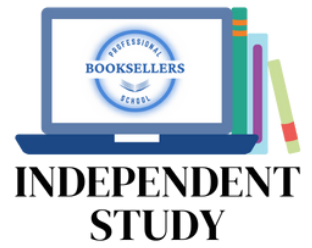
- books tiered yes ___ no ___
- books neat yes ___ no ___
- titles change weekly yes ___ no ___

End Caps

- filled yes ___ no ___
- changed yes ___ no ___
- timely yes ___ no ___

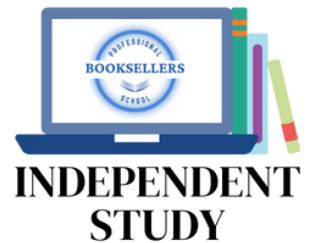
Shelves

- alphabetized yes ___ no ___
- ends flush with shelf yes ___ no ___
- space shifted yes ___ no ___
- displays are attractive yes ___ no ___
- featuring new & interesting titles yes ___ no ___
- overstock pulled into section yes ___ no ___





Returns



Returns keep your stock fresh and healthy. Not only is there rarely a reason to keep a book that's not selling, it can harm the rest of your stock - hiding the good books and making the shelves feel stale.

Different stores - and different sections - will have their own metrics for when a book has had its chance and needs to be returned. New hardcover fiction probably gets a shorter window, for instance, than your regional history. Your turns goals can help inform that - if you want a turn of 3 or 4 and the title you're looking at has an average turn of 1, you should consider returning it.

In practical terms, when you're looking at an individual title in your store, if it has been sitting on your shelf and hasn't sold for 3 or 4 months, and hasn't sold more than 3 or 4 copies in the past year, it's probably time for it to get returned.

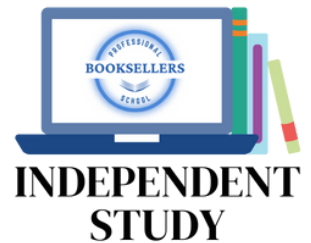
Your section turns calculations will be another piece of information in doing your slow-seller returns - ie which sections do you want to focus on for returns. But the main data will be identifying your slow sellers - some POS systems will do a report, some may make you work for it a little. If you are an Edelweiss Analytics user, you can use Edelweiss to generate returns reports for you too.

Returns can help get you credit with vendors if you're in a cash crunch. Ideally you do not want to be in the position of doing returns for bill-paying purposes, but we don't live in a perfect world. If sending back the frontlist duds from the previous season helps pay for the backlist restock that you need for selling right now, that's great. It should be a goal of keeping your stock fresh, making room for new titles (whether frontlist or backlist), and keeping your stock at the optimal size for different times of the year, which can also help with turns.

And a quick word on inventory management and basic economics: your inventory is basically a large pile of cash sitting on a shelf. If you carry too little inventory, you can't satisfy customer demand, which is a supply problem. If you carry too much inventory, that means you spent too much cash, and you don't have the sales to convert the inventory back into cash. This is a demand problem. So, you want to keep your inventory as low as possible while still satisfying your customers' demand. Returns help you maintain that balance.



Returns



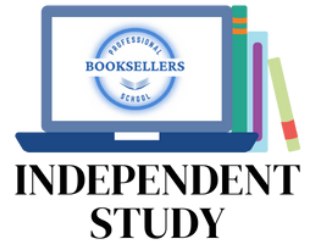
There are so many philosophies around returns, but in our opinion it's pretty hard to over-do it. Since we're all busy, it's more likely you're doing too few than too many.

Another thing to be aware of is Ingram's return limits - 10% of your 12 month rolling purchases - and the fact that they often give you partial credit - for certain older titles or for titles you didn't originally get from them.

Finally, we want to emphasize the importance of keeping track of your returns and comparing the credit you receive with what you expected. Entire boxes can go astray, which you won't notice unless you're tracking what you expect to get in credits against what you receive. At the same time, keep an eye on your freight-out costs, and be sure the trade-off is worth it. It doesn't make financial sense to send a box of very short-discount books back to Ingram if you won't get back in credits what you pay for the freight out. In this case you might want to consider putting the books on mark-down on a special sale table rather than returning them.



Resources



Turns Formula

Inventory Turnover Ratio = (Cost of Goods Sold)/(Average Inventory)

Initial Stock

Per square foot, you can expect to spend (very) roughly:

\$130 spine-out with a focus on hardcovers

\$70 face-out with a focus on hardcovers

\$120 spine-out with a focus on paperbacks

\$60 face-out with a focus on paperbacks

Consignment Form Examples

[Book People of Moscow Online Consignment Form](#)

[Main Point Books Book Stock Request Form](#)

Inventory & POS Systems

Shoot for once or twice a year. Sections should turnover an average of around 3-6 times per year. Options:

- Manual inventory
- Renting handheld scanners from your POS system
- Hiring a company

Here's a [list of POS Systems and questions](#) to put to your vendors from the ABA (you must be signed in to ABA to see this page)

Store Layout

Focus on being thoughtful about decision-making and never be afraid to change things around. Keep them fresh!

[Planning your store and looking at customer behavior](#)

[Retail Store Layouts](#)

[Shopify layout info](#)