Everything we do is focused on improving the profit, cash flow and value of your business.
The SKU deletion tool will take you one step closer to achieving these goals.

Inventory is the life blood of a wholesaler. Our brands and products help define our identity as a business. However, **if not properly managed, these same brands that define us can bury us in expenses.**

There is no magic bullet fix when it comes to inventory portfolio management and deleting SKUs. However, this document will provide guidance and strategy on how to trim your un-profitable SKUs to improve profit and cash flow.

Purchasing inventory is the single biggest outlay of cash that your company incurs each year. In a $50million company, more than $35million is spent on inventory. That is serious cheese. It's also a big opportunity to enhance company financial performance by improving your portfolio management and SKU deletion process.

Managing an inventory portfolio is a mixture of art and science. It's a blend of subjective and objective information. We look at numbers (the objective information, the science) and listen to our gut (the subjective information, the art), and then we make the best decision we can with the information available.

No one has a crystal ball when it comes to managing your portfolio, knowing what brands to keep and what brands to discontinue. However, creating and using an SKU Deletion Tool may help you see into the future.

Let's break down the steps to building yours.

The Big Three of portfolio management
1. **Philosophy**. Think of this like your mission statement for the portfolio. Define your system of beliefs and what is most important for your company. As Jason Fried wrote in his book Rework, "When you don't know what you believe everything becomes an argument, everything is debatable. But when you stand for something, decisions are obvious." **Write down your philosophy, the mission statement for your portfolio, so decisions are clear for your team.**
2. **System**. Systematize your philosophy. Sounds fancy, right? This is the method by which you build your policies and procedures which will govern your inventory management.
3. **Alignment**. Get everyone on the same page. Communicate your mission, train your team on the system, and incorporate your philosophy throughout your organization.

The SKU Deletion Tool lives in the System Category. **It is a filter through which you can screen the brands and products in your portfolio to see if they deserve to be there.** The Tool should encompass and support the main tenets of your inventory philosophy. For example, if you have a minimum standard on product gross margin, this needs to be baked into your SKU deletion tool.

The Tool is not a one size fits all, not the magic bullet, but it is a way to take some of the hard decision making out of the process of SKU deletion. Let's take a look at an example, and how you can use this approach in your company.

SKU Deletion Tool	Score	Notes / Description
Brand: Best Selling IPA		
Measurable / Objective		
Sales volume	5	Top 20% = 10pts, Middle 70% = 5pts, Bottom 10% = 0pts
L6 Month sales trend	10	Top 20% = 10pts, Middle 70% = 5pts, Bottom 10% = 0pts
Profitability (GP %)	10	Top 20% = 10pts, Middle 70% = 5pts, Bottom 10% = 0pts
Profitability (Total GP Dollars)	10	Top 20% = 10pts, Middle 70% = 5pts, Bottom 10% = 0pts
Profitability (Gross Profit per CE)	10	Top 20% = 10pts, Middle 70% = 5pts, Bottom 10% = 0pts
Intangible / Subjective		
Mothership brand connection	0	10pts if mandatory to carry this brand for a major supplier, 0pts if not
Chain Store authorization	10	10pts if authorized, 0pts if not
Supplier support in market	10	10pts, 5pts, 0pts based on strength of supplier market support
Loss leader for other products	0	10pts if loss leader / door opener for other products, 0pts if not
Category - new or upcoming	0	10pts if new/emerging category with high upside, 0pts if not
Total	**65**	

This example shows the key criteria for both objective, measurable items and the subjective, intangible items. Points are assigned to each item based on the guidelines in the description. The points are tallied up and the brand or SKU being measured can then be compared against its peers.

The above is an illustration to get you thinking about how to apply this concept to your inventory management game plan. Your criteria and scoring mechanism may be different, and should be built to align with your portfolio mission statement. However, the concept here may be helpful for you – **score your inventory, rank the results, and make your SKU deletion decisions accordingly.**

Inventory management is a tough job. Knowing what brands to bring in and what to pass on, can be one of the toughest parts of the business.

Saying goodbye to a brand once you've taken in it in, and dedicated time and effort to growing it, can be gut-wrenching. However, knowing when to discontinue brands, and how to identify the ones that should go, is important to keep your portfolio efficient, serving the customer and serving your business.

Outline your philosophy, build your SKU deletion tool, get your team aligned, and get to work. Your cash flow is depending on you. For more resources please visit www.BeerBusinessFinance.com.