

Profitability/Efficiency Metrics: Inventory Management

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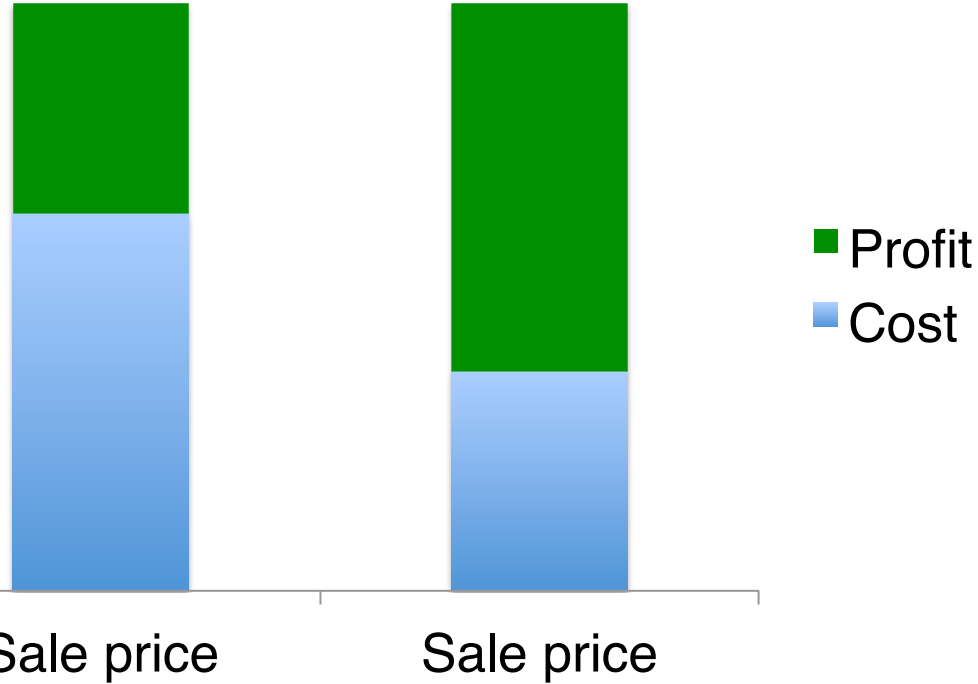
Revenue Metrics

- Enterprise sales

Profitability Metrics

- Inventory management

Inventory Management



Minimizing Inventory Days

- Negative float
- Fixed costs of storage
- Wastage
- Obsolescence

Days Inventory Estimate

- Public company annual reports
 - Inventory on hand at the end of the year
 - Total annual cost of goods sold

Walmart Example

- Year-end inventory on hand: \$44.9 billion
- Annual cost of goods sold: \$358.1 billion
- \$44.9 billion/\$358.1 billion

X 365 \approx 46 days

Best Practices

- Expected days' inventory
- Too few
- Have one of everything