

# CASE STUDY: HOW BAR CODING SAVED A FURNITURE STORE TIME AND MONEY



## CUSTOMER PROFILE

"Tom's Furniture" implemented bar coding to improve their processes and shared the details with us. We chose to respect the client's desire for privacy and have changed the business name accordingly.

## BUSINESS SITUATION

"Tom's Furniture's" desire for bar coding was to eliminate the large number of NIL's (not in location) that were occurring daily and to better combat a shrinkage problem they were having.

## SOLUTION

The goal for implementation was to do an "all at once" program as they wanted to begin using the inventory aspects immediately.

## HIGHJUMP SOLUTION

RETAIL *vantage* Bar Coding

## INTRODUCTION

Even though bar coding is widely accepted and successful in every other area of retail, the retail side of the furniture industry has, on the whole, been slow to adopt this labor saving, error reducing technology. Our customer "Tom's Furniture" implemented bar coding to improve their processes and shared the details with us. We chose to respect the client's desire for privacy and have changed the business name accordingly. This is a very real business, with very real results that are replicable for you.

## WHY BAR CODING WAS NEEDED

Tom's Furniture's desire for bar coding was to eliminate the large number of NIL's (not in location) that were occurring daily and to better combat a shrinkage problem they were having. Missing merchandise that could never be found and wasted time searching for misplaced items were eroding overall profitability.

## GENERAL TIME TO IMPLEMENT

The goal for implementation was to do an "all at once" program as they wanted to begin using the inventory aspects immediately. Their timing was as follows:

- From order equipment to installation took approximately 4 weeks
- Development of procedures, hardware configuration, and set up took one week
- Printing labels and adhering them to existing merchandise took one week

All in, they were fully functional within one month of printing their first label.

## BENEFITS FROM A SYSTEMIC APPROACH

Tom's spent a significant amount of time planning their implementation. Their team included most of their senior staff, including the GM and owner. While this was a fairly large store, their plan and method would work for businesses from \$1M to \$100M in sales revenue.

Their plan was to do a physical inventory while adhering the labels to the merchandise at the same time. Rather than printing labels by vendor or the alpha/numeric item number, Tom's printed by each row and then sorted the labels by aisle / level / bay. Although slightly more prep time was required, the actual attachment and scan of each item was done much more rapidly. Due to the sheer volume of their inventory, they had 4 staff members applying labels 10 hours a day for 10 days. They never backed down from their plan, and as a result, they had a very successful implementation.



## BENEFITS REALIZED

Bar coding provided Tom's Furniture several benefits. Some were planned and others were unexpected. A few of the benefits include:

- Multiple Checks on Receiving
  - Bar coded receiving provides several checks and balances: pieces unloaded, pieces vs purchase order, piece count transferred to racks, etc.
- Bar code Label IDs Increase Staff Awareness
  - With bar coding, all items receive a specific label ID which provides an additional check for prepping deliveries, customer pick-ups, picking, and transfers.
  - Staff is much more cautious when receiving or picking for delivery to make sure each item is exactly right.
- Serial Numbers on Appliances
  - Bar coding allows for the scanning of these serial number right off the supplier code. This has improved the reliability of this field.
- Cycle Counts
  - Bar coding allowed Tom's to implement a cycle count program.
  - Every two weeks they cycled through their distribution center counting and verifying locations.
  - The other week, they counted one entire retail store.
  - They were NEVER shut down for physical inventory counting.
  - Their inventory records were accurate.
  - Their costs to do this were far lower than counting once per year.
  - This was an enormous win since they no longer lost time searching for missing items and their inventory shrinkage reduced to zero.



## ESTIMATED COST SAVINGS

### Inventory Count

Old Manual Method	Bar Coding Method
<ul style="list-style-type: none"> <li>• 5 count teams of 2 people working at \$12 an hour</li> <li>• Working 24 hours over two days (counting and recounting)</li> <li>• 2 person Reconciliation team working 50 hours at \$18 an hour</li> </ul>	<ul style="list-style-type: none"> <li>• Scan the entire building with 3 people at 4 hours each</li> <li>• Reconciliation is completed by one person in 30 hours</li> </ul>
Counting Costs: $5 \times 2 \times 24 \text{ hrs} \times \$12 =$ \$2880 Reconciling costs: $2 \times 50 \text{ hrs} \times \$18 =$ \$1800 Total Annual Costs: \$4680	Counting Costs: $3 \times 4 \text{ hrs} \times \$12 =$ \$144 Reconciling costs: $30 \text{ hrs} \times \$18 =$ \$540 Total Costs: \$680 <b>Total savings is \$3996 annually!</b>

## THE RECEIVING PROCESS

Tom's Furniture experienced a major savings using the new receiving process. Formerly, as each piece was taken off the truck, the warehouse crew would have to search out the item number, find it on the receiving tally, and manually mark that item as being received. Then they would count each item to match the number of items expected against the actual number of items received. After that, the office clerk would manually edit and key in what did and did not come in and once again edit to match up the piece count number. This process duplicated efforts as each item was "handled" three separate times to indicate that it was now in inventory. All in all, each item takes approximate 4 minutes total labor to receive into inventory.

No longer having to manually mark as received and then enter the receiving tallies into their inventory reduces man hours considerably. Under the new process a bar code label is applied and scanned which takes a matter of seconds. Total piece count is quickly verified and confirmed in inventory. The bar code scanner shows the number of pieces scanned which can quickly be compared to the bill of lading for accuracy.

Old Manual Method	Bar Coding Method
$5000 \text{ items} \times 4 \text{ min} \times \$12 =$ \$4000	$5000 \text{ items} \times .50 \text{ min} \times \$12 =$ \$500  Monthly Savings: \$3500 <b>Total Annual savings = \$42,000!</b>

## INTANGIBLES

One of the biggest wins for Tom's was the ability to provide better customer service. In the past, Tom's had situations where they had to tell customers that their merchandise was misplaced and unavailable at this moment. Those conversations took place when the discovery was made which usually happened on the day prior to, or the day of, their scheduled delivery. These NIL items were costing the business lost sales, credits to soothe angry customers, and a hit to their reputation. By being able to pull deliveries and satisfy their customers the first time, their NIL went from 20 per night to under 7 per month and this number continues to improve. This is huge! The labor savings on this was 2 men at 5 man hours per night.

### Weekly labor saved:

$2 \text{ employees} \times 5 \text{ hrs} \times 6 \text{ days per week} \times \$12 =$  \$720  
**Annual savings = \$37,440!**



## EMPLOYEE SATISFACTION

Some of Tom's long term employees were at first resistant to the new process. They had a way of doing things that they were comfortable with and didn't believe that bar coding would make a difference to their work. They viewed it as an interruption to their process, not an improvement of it.

After the first month, the results couldn't be argued with. The team was able to quickly realize that they weren't wasting their time looking for things. Ultimately, while they argued against bar coding in the beginning, they now embraced technology. They are able to do their job more efficiently and effectively. Since they have a bonus pool that is tied to their results, each employee was able to earn more money as well.

## THE RESULTS

Tom's Furniture took the time to measure what their current process took in labor and dollar costs, and made the determination that implementing bar coding would improve their overall performance and add directly to their bottom line profitability due to cutting expenses. Their end result in saving more than paid for the upfront cost of bar coding in less than a year and those savings keep adding up year-after-year.

In the first year alone, Tom's Furniture saw significant savings:

Inventory Counts	\$ 3,996
Receiving	\$42,000
Intangibles	\$37,440

**Total Annual Savings**     **\$83,436**

You might not receive 5000 items a month or have as many issues with NIL items, so your results may be different than Tom's. However, saving time and reducing costly errors will help any business improve their profitability regardless of their size. Look at bar coding as if it was an employee. In this scenario you would pay them once and get the benefits of their labor over and over. So the question is: if you could hire someone for a one-time payment, but have them work for you every day and get the improvements to your efficiency and profitability, would you?

If you want a free needs analysis to find out how bar coding can help your business become more efficient with both labor and accuracy and improve your profitability, contact us at [info@profitsystems.com](mailto:info@profitsystems.com).

## THE PROFITsystems TEAM IS HERE TO HELP!

If you have any questions regarding PROFITsystems or how our products can improve your business, our passionate team is here for you.

**Call us today at 800.888.5565 or email**  
**[info@profitsystems.com](mailto:info@profitsystems.com)**



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