

I want to share with you why it's not a good idea to enter a custom made ring in Edge as inventory.

This is especially important if you have a fair amount of inventory. If your store does a LARGE amount of shop work (75+%) then you may not care about separating true custom/shop sales from real inventory sales. Still in that case the reason to enter custom in Edge using "Custom Intake" and not entering as inventory or using the "Special Order" tab is Edge's ability to track job location, due dates, supplier orders for parts, keep explicit notes. I'll share that at the end.

Another big reason not to enter custom as inventory has to do with your accounting, ESPECIALLY if you export into QuickBooks. Even if you don't export and just manually enter sales and such in QuickBooks or hand it to the cpa your numbers will be wrong and you won't be able to REALLY see how you're doing. But if you do your business, pay all bills on time, have little debt, pay yourself well and the staff too then it's a moot point, do it your way.

The Edge has the best report on telling you how well you handle inventory, by price point and by category. I won't explain their report, picture posted below, but inventory is the biggest investment by a jeweler and the biggest reason for poor cash flow and high amount of your debt.

Forgetting memo, inventory is an investment that sits in the case. Custom work doesn't sit in the case.

Inventory sales require 100's of thousands of investment dollars. Custom sales require less than \$10,000 in stock of findings/gold/melee or maybe none at all if sent out.

The David Geller thought and most jewelers consider "Special Order" today as calling on the phone and ordering for one special customer an item that you don't carry. Like calling Quality Gold and asking for 27" chain because all you carry are 15"/18"/24".

This sale:

- a. Is made because the customer saw an item in stock and wanted it a bit different or a lot different.
- b. This sale came about because you "carry" 100 bridal rings and nothing in the case tickled their fancy and so you called one of YOUR stock suppliers or called a company you know to order it.
- c. I don't care if the supplier took the item from their massive inventory or they manufactured one for you the sale came because out of \$100,000 of stuff in your store you will sell them an item you don't have in stock.
- d. You could not have made THIS sale without all of the stuff in the case.
- e. This special order sale was NOT MADE because you sat down and sketched and designed it in front of the customer (this is important). THIS example is a custom design sale, not a special order. You COULD HAVE MADE this custom sale without any case stuff; you're a "designer" and have a pen and paper or a CAD program.

Inventory in the case has to turn. Buy it in January and sell it by Christmas=a turn of 1. We are measuring how well your investment is doing and this is without any jeweler being involved.

If you have 12 Benchmark wedding bands in a tray and sell 5 from the case in a year-not so happy. But if out of the 12 you sell 5 from the case and call Benchmark and special order 7 because of styles/ring sizes/color then if you add up the 5+7 you sold 12 out of a tray of 12 and that gives you a turn of "1" and you'll have money and your investment in that tray is doing great.

Your store's goal should be a turn of "1" or better in a year for inventory in the case.

**BUT PUTTING A CUSTOM MADE WEDDING BAND INTO "WEDDING BAND" INVENTORY RUINS THESE NUMBERS.**

Why? Because turn on custom work is about 12-20 times a year, takes just 2-4 weeks 52 weeks. So adding in custom will ruin your number crunching to see how well you are doing in the Bridal-wedding band department. It will look like the bands you BUY are moving like hot cakes when in fact your stock sales could stink while the shop is doing great!

But putting custom in as stock hurts shop numbers and makes the wedding band department look like it's doing great. It would look like your inventory management style is wonderful when it's not. Like I say if you have very little inventory then do it your way.

When you use the Edge's (or any other POS program) inventory module it can tell you profits, turn, GMROI, what to reorder by style and such because it sold quickly (you don't reorder custom-do you?) etc. It will tell you what vendors and their styles are doing great so when you go to a show to buy more stock the Edge will tell you what things to STOCK and by price point.

Custom Design Sales:

- a. Ruins the stock sales numbers
- b. It will not help you one bit to know that you custom make more pink gold 7 diamond rings over 12 diamond white gold rings. Why? Because your customer has had you MAKE it for them. Mixing this in with stock makes it difficult to know now what to buy for the showcase; you ruined the ability to ask intelligent questions.
- c. If you're a member of Edge Retail Academy or Focus or B.I.G. it will ruin your numbers to compare to the rest of the group.
- d. Being you entered this as stock and if you have a shop now your shop numbers look unprofitable.

Now I know many will say "If I didn't have stock in the showcase I wouldn't be able to custom make so many rings"

True but still doesn't change the fact we want to know how well you are handling your hundreds of thousands of dollars on stock and this procedure ruins it. If you have a bunch of rings in the case and consistently custom make rings from them and hardly sell one from the case, in the Edge you should change the stock "type" from Stock to Live Model. This will take these rings that don't sell out of your inventory numbers. It's VERY similar to buying "brass & glass" rings set with CZ's.

Stock should still sell on its own separated from what custom sales might be.

**ADVANTAGES TO USING CUSTOM INTAKE TAB**

1. You can track job envelope location, due dates, move in Edge the job from one location to the other.
2. If a customer left you an engagement ring to make a custom wedding band you can take a photo of her ring.
3. By having locations in the Edge the sales staff doesn't have to ask you or the office "Any word on Mrs. Smith's wedding band order?" They can go to the Service tab and look for the customer and it will show the staff where the envelope is sitting.
4. You can run reports to give to jewelers "these jobs are due soon" and to have the office staff check on parts coming in.
5. Exporting to QuickBooks or manually entering custom sales shows up on your P&L not as inventory sales but as shop sales.
6. You can tell the shops profitability easily.

Below is a picture of how done properly you can see Inventory Sales separated from Shop Sales.

Below that is Edge's GMROI report (Shopkeeper has a similar one) showing you how well inventory is doing by price point.

Hope this explains it for you.

David Geller

Ordinary Income/Expense	Jun '13 - May 14	% of Income
<b>Income</b>		
4000 · PRODUCT SALES		
4001 · Showcase Sales & Spec Order Sal	1,498,299.85	71.1%
4002 · Memo & Consignment Sales	19,500.00	0.9%
<b>Total 4000 · PRODUCT SALES</b>	<b>1,517,799.85</b>	<b>72.0%</b>
4003 · SHOP SALES		
4004 · Jewelry Repair	119,355.58	5.7%
4005-I · Custom Design	187,496.48	8.9%
<b>Total 4003 · SHOP SALES</b>	<b>306,852.06</b>	<b>14.6%</b>
4009 · APPRAISALS	381.00	0.0%
4010 · Shipping Income	45.00	0.0%
4013 · Misc & Bulk Sales-Edge	1,454.00	0.1%
4015 · Fee Income (restocking)	32,746.68	1.6%
4020 · Purchase Discounts	5.11	0.0%
4025 · Bullion Sales	25,227.26	1.2%
4030 · Scrap & Diamond Buys Sales	62,329.24	3.0%
4035 · Trade-In Sales	161,595.36	7.7%
<b>Total Income</b>	<b>2,108,435.56</b>	<b>100.0%</b>

**Inventory Performance by Age**

6/14/2012  
Page 1 of 1

: By Id: <none>; Item Status: 'Sold', 'In Stock'; Pricing Methods: 'Pre-Marked', 'UOM Only', 'Item by UOM', 'UPC/SKU', 'Item Pricing'; Inventory  
'Take-Off', 'Assembled', 'Special Order', 'Trade', 'Inventory'; Match stones by position: 'Primary Stone Only'; Organize resulting list: 'one item per row',  
Sold 365 Days (6/16/2011 to 6/14/2012)

Cost Range	%Total	#Sold	ADTS	ARS	ANOH	#End	ADOH	Retail	Profit	%Mgn	%MkDn	ACOI	%GROI	%TROI	Turn
<b>0-179 days old</b>															
\$0-100	19.74	3,023	93	55	1,122.7	1531	224	165,858	99,883	60	5	32,546	307	274	2.03
\$100-250	10.09	243	85	349	186.2	229				58	8	29,711	166	155	1.20
\$250-500	8.73	87	69	843	73.1	88				58	6	25,928	164	148	1.19
\$500-1000	7.03	37	74	1,596	54.6	73				56	8	39,342	85	79	0.65
\$1000-2500	11.89	34	106	2,939	29.3	40				48	10	43,295	112	105	1.19
\$2500-5000	6.19	9	37	5,783	2.4	3				44	4	8,186	282	279	3.54
\$5000-10000	8.60	6	85	12,044	1.6	1				41	0	10,830	272	240	3.95
	<b>72.27</b>	<b>3,439</b>	<b>92</b>	<b>177</b>	<b>1,470.0</b>	<b>1,965</b>	<b>227</b>	<b>607,307</b>	<b>325,914</b>	<b>53</b>	<b>5</b>	<b>189,839</b>	<b>171</b>	<b>158</b>	<b>1.48</b>
<b>180-359 days old</b>															
\$0-100	1.51	202	372	63	249.1	292	389	12,727	8,267	65	4	7,997	103	70	0.56
\$100-250	1.26	26	385	408	60.4					9		11,579	57	38	0.35
\$250-500	0.39	4	498	817	10.7					0		3,865	51	33	0.33
\$500-1000	0.65	3	332	1,834	6.0					8		5,543	58	42	0.41
\$1000-2500	1.17	3	451	3,267	3.0					0		6,720	71	51	0.75
	<b>4.99</b>	<b>238</b>	<b>376</b>	<b>176</b>	<b>329.2</b>	<b>356</b>	<b>422</b>	<b>41,911</b>	<b>24,803</b>	<b>59</b>	<b>4</b>	<b>35,704</b>	<b>69</b>	<b>47</b>	<b>0.48</b>
<b>&gt;= 360 days old</b>															
\$0-100	4.70	733	1,119	54	2,072.4	2293	1,137	39,462	26,104	66	14	39,391	66	18	0.34
\$100-250	4.03	70	1,316	483	167.2					26		33,037	67	16	0.35
\$250-500	5.23	43	1,275	1,021	137.5					15		56,528	51	12	0.27
\$500-1000	4.61	25	1,500	1,551	93.3					29		71,438	30	8	0.24
\$1000-2500	2.88	7	1,403	3,463	37.3					16		58,281	23	6	0.18
\$2500-5000	1.29	2	1,483	5,435	4.7					2		24,159	24	6	0.28
\$5000-10000	0.00				3.0							16,874	0	0	0.00
	<b>22.74</b>	<b>880</b>	<b>1,157</b>	<b>217</b>	<b>2,515.5</b>	<b>2,661</b>	<b>1,210</b>	<b>191,084</b>	<b>117,178</b>	<b>61</b>	<b>19</b>	<b>296,708</b>	<b>39</b>	<b>9</b>	<b>0.25</b>
<b>100.00</b>	<b>4,557</b>	<b>312</b>	<b>184</b>	<b>4,314.7</b>	<b>4,982</b>	<b>427</b>	<b>840,302</b>	<b>467,896</b>	<b>55</b>	<b>9</b>	<b>522,250</b>	<b>89</b>	<b>31</b>	<b>0.71</b>	

Key: ADTS = Average Days to Sell; ARS = Average Retail Sale; ANOH = Average Number on Hand; %Mgn = Percent Margin; %MkDn = Percent Markdown; ACOI = Average Cost of Inventory;  
%GROI = Percent Gross Return on Inventory; %TROI = Percent "True" Return on Investment

Inventory should be the SAME of  
LESS than gross profit Dollars

GMROI should be  
"about" \$1.00 or better

==End==