

Wrong Sized Windows- A case study

Written by Steve Marr

Wednesday, 28 September 2011 02:02

I was working with a client that made replacement windows. During our first meeting, I noticed \$140,000.00 in inventory carried on the balance sheet. Knowing most windows were made to order and installed shortly after manufacturing, I asked how could they be carrying this much inventory.

The reason was the window company had made measuring mistakes over the past several years and the inventory represented these mess-ups. Every time they goofed, the problem windows went into inventory, and storage with no buyers.

We worked out an improved quality control system for measuring and manufacturing that stopped the mistakes in the future. The current inventory of mistakes remained a problem.

My suggestion was to write down the value of the inventory, and then try to discount 75-85% to get rid of the problem inventory. Better to get some cash from the disaster than nothing.

Putting a low price on the merchandise did little to move the stock initially. Next I suggested mentioning the discounted stock to customers that were doing their own work and were handy. If the customer was able to expand the opening slightly, they could put in a larger window at a greatly reduced cost. Customers didn't think of this option, but when presented, several took the deal.

Over the next 16 month, the stock was moved using this method generating \$28,000 of badly needed cash and clearing out the storage facility.

King Solomon wrote, "Whether a tree falls to the south or to the north, in the place where it falls, there will it lie" (Ecclesiastes 11:3 NIV). When you see your mistakes start to pile up, take action. Figure out what is going wrong and why, and fix it. This window manufacturer could have saved far more money by just correcting the measuring and manufacturing process sooner rather than later.

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Steve Marr, Your Christian Business Coach

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