

Reducing **Unproductive** Inventory

Marking down items before they are deleted by new modulars

TKS + 

A BRIEF OVERVIEW OF OUR RECOMMENDATION

Executive Summary.



Discontinued Items

Items that are deleted by new modulars end up stuck in the backroom.



Proactive Markdowns

By marking down items that will be discontinued, Walmart can prevent wasted space in the backroom.



Cost Reduction

Walmart will be able to reduce the amount of unproductive merchandise and increase sales.

Walmart currently has no effective solution to handle discontinued items. By implementing a system in which associates can easily see item deletions and markdowns early on, Walmart can reduce the amount of unproductive inventory.

THE PROBLEM

Stores have too many items they don't need.

Items are sometimes deleted as a result of new modulars.

When stores receive new mods, some items are discontinued and no longer have a space on the sales floor.

If these items haven't completely sold out yet, they take up space in the back room and are lost sales for Walmart.



LOST REVENUE

Unsold merchandise translates to lost money.

Non productive inventory takes up space in the back room

The inventory that can't be sold wastes space and causes back room clutter. This leads to reduced productivity and higher operating costs.



Non productive inventory means lost sales

More merchandise that can't go out on the sales floor means more items that can't be sold to the consumer, costing Walmart.



THE OPPORTUNITY

Why is this important?

12%

**Off Price
Sales Revenue**

Off price sales generally equate to 12% of total sales revenue.

\$30B

**Walmart Canada
Revenue**

This is the number for Walmart Canada's revenue.

\$3B

**Impact on
Gross Margin**

This is approximately how much Walmart Canada makes from off price selling.

By addressing the issue of non productive inventory and off price sales, we can improve the process of markdowns and deletions

THE PROCESS

The current system is largely dependent on individual stores.

The current process of eliminating deleted items in new mods is largely dependent on individual store managers.

There is no official procedure or One Best Way.



When a new mod is dropped, a manager notifies an associate



They have to double check that the item is not in the new mod



There are discrepancies between the SMART system and MyProductivity



The associate find the “deleted items” list in the SMART system .



They then have to markdown the deleted items

MAJOR CHALLENGES

Current methods don't work.

We need to implement a new procedure.

There is currently no effective method to handle item deletion.

Problems with the current system:

- ✓ Up to the store manager to remind the associate
- ✓ Not enough time to sell out deleted items
- ✓ Markdown prices are not standardized
- ✓ The list of deleted items is hard to find
- ✓ Not notified about new mods at a set time



OUR SOLUTION

Proactive Markdowns

Ensuring that items are sold out before they are discontinued in modulars so that they don't take up space in the backroom.

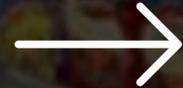
OUR SOLUTION

Proactive Markdowns in MyProductivity.



List of Deleted Items

Before new modulars are implemented. Provide associates with a clear list of which items will not make it into the next mod.



System Markdowns

Have a feature in the MyProductivity app that associates use to provide reminders to mark down items in advance before new mods drop.

MEASURING IMPACT

What we need to change.

Earlier notification of modular drops

Notifying stores in advance allows them to markdown items in time for the new modular.

Better filtering of deleted items

Some items show up as deleted but are actually just manual orders.

Communication between HO & Stores

Stores should have a way to tell home office they have something that they can't sell.

Better accessibility for associates

Make it easier for associates to markdown discontinued items.

THE SOLUTION

The impact of markdowns on deleted inventory.

By implementing a system to handle markdowns on deleted inventory, Walmart can increase sales by selling more of items that will be discontinued. This results in higher profits as items don't languish in the backroom and are sold on the sales floor. This means that Walmart isn't wasting more money on merchandise that isn't being sold and it is easier for associates to perform their duties in the backroom.

Sales

Markdowns on items will make them more a more attractive purchase.

Profits

Getting rid of non productive stock, wasted space, and increasing sales.

Expenses

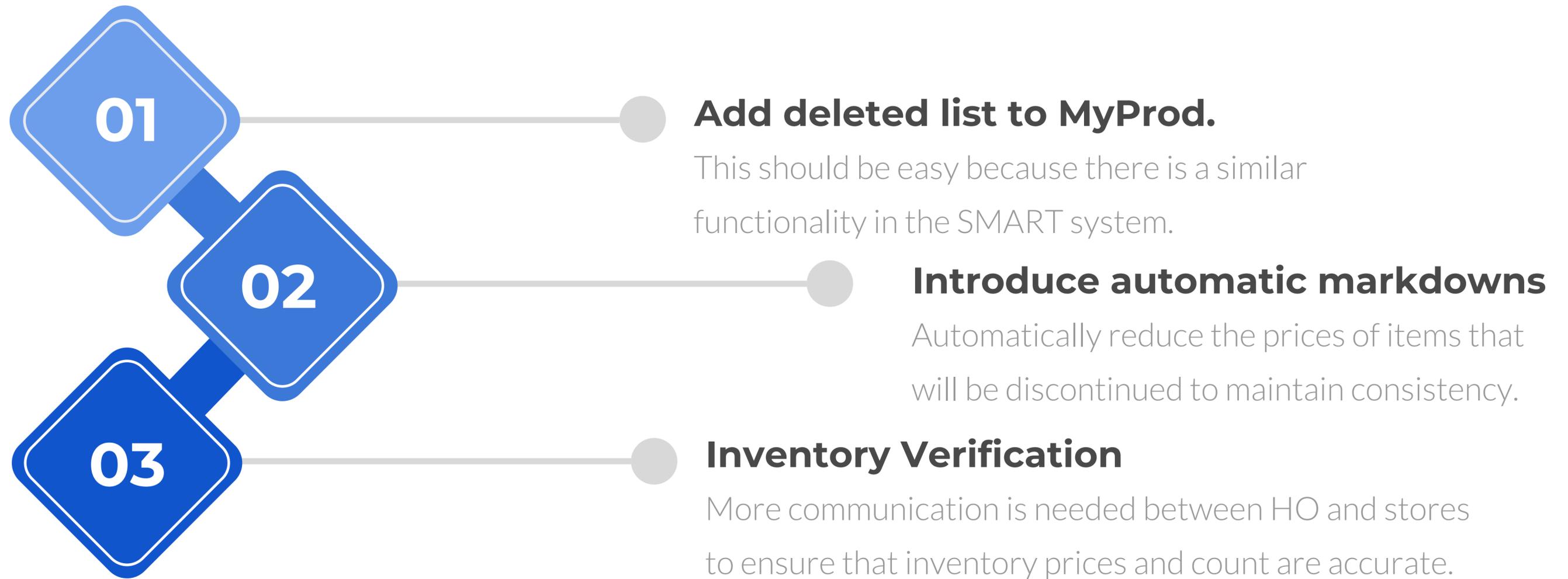
Less money is wasted on stock that can't be sold and space taken up.

Productivity

Reducing clutter in the backroom helps associates work more efficiently.

OUR RECOMMENDATION

Implementing the solution.





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ON A MORE PERSONAL NOTE

Thank You!

Hi Fareena & The Walmart Canada Team

We would like to thank you for organizing this challenge with TKS and giving us the opportunity to find and solve opportunities for a billion-dollar company. Throughout the challenge, we learned and developed so many new skills that we can also apply to our future projects.

We hope that our recommendations can be valuable in helping Walmart deliver a great customer experience while maintaining a low cost operating model.

Thanks!

Gracelyn & Alex