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**Economic Order Quantity (Max Stock) – Driving Optimized Stocking Levels**

At its very core, an order point serves as an item’s minimum allowable shelf quantity before the system orders more. Though most POS systems have the ability to calculate order points, there’s a subset of items requiring unique order settings, known as “mins and max ‘s”, in order to:

1. Minimize put away expenses
2. Maximize sales opportunities
3. Optimize shelf quantities

**Now Available in the Retail Analytics Dashboard -** Mango Report’s ® Economic Order Quantity (EOQ) program:

1. Provides retailers store-specific min and max recommendations on select items based on criteria applied from Mango Report data intelligence
2. Delivers higher quality suggested orders, improving in-stock position and optimized put-away frequency
3. Radically reduces the amount of time and simplify efforts to establish mins and max’s
4. Removes insufficiently implemented mins and maxes that constrain sales and create overstock

**Get Real Results:**

* Labor Savings: ~ 80 hours annually\*
* Reduced Put-Aways: ~ 9,500 annually\*
* Improved In-Stock Position: ~ 83% healthier inventory levels\*
* Optimized Shelf Quantities based on store-specific rate of purchase

**What Retailers Are Saying:**

*“The biggest benefit to using the process is that you're touching the items less frequently resulting in greater efficiency. Rather than putting the same item away every truck or every other truck, you may only stock that item once every month or two, just in a larger quantity. We're pleased with the results”*

*- Sheila Quigg, Sr. Inventory Control Manager, Great Lakes Ace Hardware*

**A 3-Step Business Process:**

Economic Order Quantity lives in the Retail Analytics Dashboard (RAD) within the Optimal Shelf Quantity section of the Inventory page.

1. On a monthly basis, review economic order quantity suggestions for SKUs that benefit from ordering in larger quantities

**Other Features:**

* Recommendations are made to remove mins and max’s when they constraint sales and add overstock
* Stores will have the capability to see the percentage of mins and max’s they have deployed against the goal of 80% or better

1. Analyze key data to make decisions on accepting or adjusting the suggested order settings
2. As with the current minimum order point process, submit your decisions, which then implements the changes into your Eagle system directly from RAD in near real time

See Ace Way of Retailing for more details. Path: ACENET > About Ace – Ace Way of Retailing > AWOR Search: EOQ

Source of Data: Based on Ace and Mango studies. These are approximated based on 2,700 stores.

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**Frequently Asked Questions**

1. **What exactly is Economic Order Quantity (EOQ)?**

EOQ identifies prime SKU candidates for buying in larger multiples, resulting in substantial reductions in handling and put-away expenses as well as ordering time. EOQ is synonymous with the term ‘min-max’ and based on criteria specific to your store (e.g. frequency of receipts). Upon acceptance, these SKU-level values are updated automatically in your Eagle system under the 1) max stock level and 2) minimum order point fields.

1. **What criteria does EOQ look at to determine candidates?**

EOQ makes monthly recommendations at the SKU-level based on both global and store specific data points. To be a candidate in the retail analytics dashboard (RAD), the item must be purchased in an order multiple = 1, cost less than $12.00, be under 40 lbs. and less than 345 cubic inches per each. Analyzing your store’s data specifically, the item must have relatively low seasonal sales patterns, be purchased a minimum of four times per year, and have a low promotional sales spikes.

1. **What’s the expected impact to my store?**

A typical Ace store has roughly 430 items that are “no-brainer candidates” for EOQ. Based on extensive studies, these EOQ candidates are put-away, on average, 28 times per year. Upon accepting the EOQ recommendation, this number drops to roughly six put-aways annually. Under the assumption that it takes 30 seconds to put-away an item, you save near 80 hours of labor hours per year (22 \* 430 \* .5), equating to about 9,500 annual product put-aways (430\*22).

1. **How much will this cost me in extra inventory?**

On average, the cost to implement EOQ for the recommended items is $4,000 across roughly 430 items. EOQ in the Retail Analytics Dashboard focuses on lower cost RSC products by design, and has a very low probability of creating any backstock. If need be, leverage the RAD’s budgeting tool feature to control expenses further.

1. **Why doesn’t Ace just change the order multiple on these items and be done with it?**

In cases where items are widespread candidates for EOQ across a large number of Ace stores, they then become eligible for Ace’s Artificial Order Multiple (AOM) program. EOQ suggestions, on the other hand, focus on criteria and purchase behavior specific to your store that may not have global appeal. Your store’s EOQ candidates may look very different from another store’s list.

1. **I’m in. How do I get started?**

Great! Start by reviewing the Ace Way of Retailing Practice titled **Economic Order Quantity – Setup**. It’s important to know you must first be on Eagle L31.0 software (or higher) to start reaping the benefits of lowered labor savings, put-aways, and a healthier in-stock position.

1. **Why can’t I make changes to the minimum order point, or lessen the unit gap between it and the max stock value in RAD?**

The suggested minimum order point (MOP) plays a key supporting role to the recommended max stock level. As such, they work in parallel to one another to optimize the shelf quantity amount. The MOP ensures you have sufficient safety stock levels to meet consumer demand on items traditionally being bought much too frequently. That said, the gap between that and the max stock level value must be large enough to make a profitable, high impact.

1. **I used to assign max stock levels to items manually in Eagle. I also saw complex, tedious instructions on how to conduct mass updates to this field using Eagle Network Access. Does the EOQ program address these issues?**

Yes. EOQ had existed as a hidden gem, proven labor solution for some time. However, it hadn’t always been fast and easy to implement. With the introduction of this program into the RAD, your review and acceptance is updated in Eagle in near real time, significantly slashing implementation time.

1. **I see the value in EOQ, but I would like more understanding to implement. What do I do?**

Ace Way of Retailing remains as your one-stop place for a step-by-step understanding and theory behind establishing Ace best practices. Path: ACENET > About Ace – Ace Way of Retailing > AWOR Search: EOQ.

1. **I want to look beyond the EOQ recommendations referenced in the Retail Analytics Dashboard. What do I do?**

With the industry focus on labor, looking for additional opportunities is smart business. Mango Report ® offers a ‘second tier’ of recommended items, which require sales floor review. These can be found in your monthly MEGA report under the In Stock tab. It is also recommended to subscribe to Ace’s Artificial Order Multiple initiative for further efficiencies.

1. **Who do I contact with any further questions and support?**

Your field representative is always available to help answer questions. For further details about the program, you can also contact the Store Systems and Operations team:

P: + 1 630.472.4784

E: [storesystems@acehardware.com](mailto:storesystems@acehardware.com)

Use these logos as a part of the brochure branding



