

## Phantom Inventory, the Opportunity Is More Important Than You Think

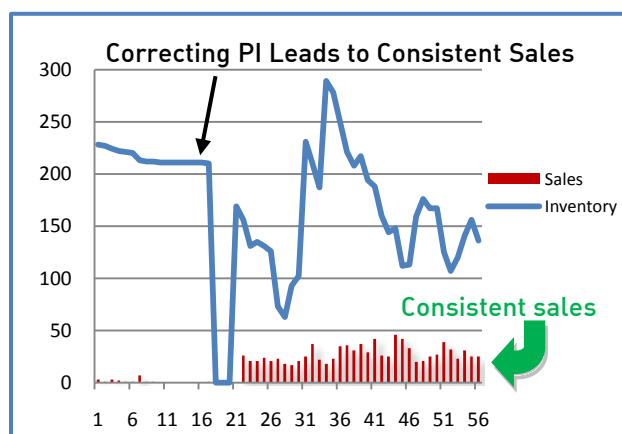
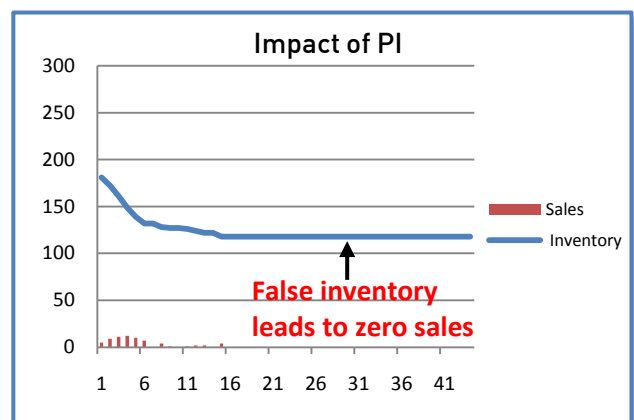
The consumer goods and retail industries have long known that Phantom Inventory (PI) is one of the leading causes of out-of-stocks and lost sales. TR3 has been working for over three years with leading manufacturers and retailers to solve the PI problem. Based on our work we have compiled the following findings which highlight that correcting PI is not only a boost to sales, but can have a profound positive impact on inventory positions and future orders. In today's markets with a focus on improved profit margins and lowering inventory costs it's critical that companies address PI to get the **Right Items to the Right Place at the Right Time**.

The following are benchmarks we've identified over the past 12 months.

- **SAME STORE SALES INCREASE 99% WHEN PHANTOM INVENTORY IS CORRECTED**
- **3% OF INVENTORY IN A RETAILER'S SYSTEM IS PHANTOM; CAN SPIKE TO 10% FOR FASTER SELLING, HEAVILY PROMOTED ITEMS**
- **THE LOST SALES HANGOVER FROM PHANTOM INVENTORY DRIVES DOWN FUTURE ORDERS BY 44%**

Based on these findings it is critical companies take action to solve PI. The following examples highlight what happens at the store level to sales and inventory when PI is present.

**At the right** is an example of what happens when PI is not corrected. As you can see sales occur at the beginning, but once the real inventory is sold the false inventory flat lines. Customers find the store shelves empty and no sales occur for over 20 business days.



**At the left** is an example that shows how correcting PI drives significantly higher sales. A downward adjustment removes the false inventory. The result is consistent sales because regular ordering and replenishment are allowed to occur.

**Summary:** correcting Phantom Inventory is a key initiative for the CPG/Retail industry. Solving this problem has a tremendous impact on the bottom line through improved sales, inventory levels, future orders and customer experience.