Case Notes

# Chapter 15: Inventory Management

# Inventory Pressures Cause Tuesday Morning to Abandon e-Commerce

## Case Summary

*This case describes a seemingly unusual decision for closeout retailer, Tuesday Morning, to shut down its e-commerce site to avoid the risks associated with managing a rapid turnover inventory.*

Case Analysis *This case illustrates effective inventory management strategies for closeout retailers that have a rapid inventory turnover. The case relates Tuesday Morning’s e-commerce decision with inventory management. Closeout retailers like Tuesday Morning sell products at a low profit margin. This means Tuesday Morning needs to convert its inventory to profit faster and refresh its inventory with newer, up-to-date products more frequently than retailers with a higher profit margin. Tuesday Morning reasons that its inventory turnover rate is too high for e-commerce sites to keep up. As a result, Tuesday Morning decides to shut down its e-commerce sites.*

## Sample Answers to Case Questions

1. Consider a sporting goods store and apply a type A, B, and C classification method to its inventory. What items are likely to turn over often as a result of seasonal demand?

Seasonal items need to be managed efficiently because any leftover inventory at the end of the season will be of no value to the store. As a result, seasonal items such as ski equipment should be classified as type A to ensure these items will be converted into profit faster.

2. Tuesday Morning’s business model offers a unique counter-argument for linking e-commerce and inventory management. Can you think of other types of stores or industries in which inventory management problems would be an obstacle to the effective use of an e-commerce retail system?

Fresh produce stores need to manage their inventory efficiently because of the perishable nature of their products. These stores will find the use of an e-commerce retail system ineffective.