# A Re-form Study on Outsourcing Surplus Furniture Inventory Management

## Part 1

### Introduction

A frequent response to consideration of outsourcing furniture inventory management is "I don't want to be in the surplus furniture business". But, if you have excess furnishings stored in various unmanaged warehouses and unoccupied office building spaces, you are already in the surplus furniture business. How well is it working?

1. Do you have a detailed inventory of your surplus furniture assets?
2. Do you have pictures of the furniture?
3. Can you readily locate and retrieve the furniture you need?
4. Is the furniture protected to prevent damage?
5. Can you repair and refurbish it if it's in substandard condition?
6. Is the furniture frequently redeployed?

If you can answer "Yes" to 1-6, you probably don't need to outsource the management of your surplus furnishings. Depending on how many "No's" you responded to, you may want to read on.

### Cost vs Value

Storage costs are a function of cubic footage, time, and the cost of disposal or replacement. A desk suite with a replacement value of $1500 might be the equivalent of one skid and can be stored for approximately 80 months before the cost of storage exceeds the replacement value.

For systems furniture, the results are more significant. A skid of (25) panels might have a replacement value of $6300, and can be stored for 350 months before the storage cost exceeds replacement value.

The important metric in storing furniture for reuse is the churn rate. Because furniture does not increase in value with age like wine or fine art, it is important that all stakeholders have ready access to inventory information, and can easily retrieve needed items from inventory. The less time an item spends in storage, the more the imbedded value of the item retains.

### Funding

The biggest hurdle facilities clients' face outsourcing surplus furniture management is justifying and supporting a budget for storage. Many of the good reasons facilities professionals choose to outsource to a managed storage facility are lost on the team with the purse strings. If outsourcing seems like a

good idea for your company from a practical point of view, there are some reasons it might make sense from a fiscal perspective:

1. Dry, access and temperature controlled space isn't free anywhere. Leased but unused space may seem free, but if it's full of aging furnishings and the space perhaps better used for more vital assets, that is a lost opportunity cost. Managed furniture storage is currently roughly $1/SF. What is the price per SF of your current leased or unmanaged storage space?
2. Reusing existing furniture is cheaper than buying new, and will save the company money in the long run. Recovering the storage and logistic costs from internal business units can be done with chargebacks for ordered furnishings, otherwise realizing the savings back to the inventory program becomes more abstract.
3. Sustainability and environmental issues are currently more important to many companies than they have been in the past. Re-form offers reuse metrics and weights for LEED O&M reporting.
4. Disposal isn't free either, so current disposal costs of $65/ton for tip fees and $200 per load for dumpster PU/Delivery should be factored in.
5. Time and costs saved by freeing facilities and logistics personnel from locating and retrieving furnishings can be significant. The most common complaint by facilities personnel regarding in house management of furnishings is the effort and frustration of retrieving furniture that is known to be in storage, but for any number of reasons is irretrievable, and if recovered has become damaged by careless storage.
6. Analytics:
   a. Manage inventory levels by aging and value.
   b. Manage inventory levels by ordering trends.
   c. Identify users to understand "marketing" trends.

**Strategies for Reuse**
The best strategy for reuse is to standardize on furnishings and finishes, though that is not always possible. Cheap big box furniture initially seems like a good deal but rarely lasts, and certainly not long enough to reuse. By having established quality furniture and finish standards, users of the inventory system will readily recognize images and descriptions of stored items, and confidently request known "commodities" for reuse. Low value product will not have the same currency with users, and the cost of storage will quickly exceed the value of those items.

## Part 2

**Why Re-form**

Re-form is an independent commercial furniture management service, and recognizes the fact that large corporate clients have established relationships with national furniture manufacturers. Our measure of success is returning the value of existing and stored furnishings to our clients, and we have no incentive to unnecessarily substitute new product.

In addition to web based reporting of corporate assets, Re-form will leverage the value of stored items with the following services:

1. Careful material handling during pickup, storage and delivery to minimize damage.
2. Refinishing, repainting and reupholstering systems furniture and case goods to current standards.
3. Repairing furnishings and rekeying case goods.
4. Cleaning upholstered seating and fabric panels.
5. Supplying service parts for installation.
6. Pickup, delivery and installation services.
7. Project management and design services.

**Web Interface**

Every managed storage client will have their own website, branded by their corporate logo and their mission statement, and designed for the furnishings and routine anticipated by corporate users. While the database managing the inventory data is very detailed and robust, the website distills data down to only what users need to select furniture. Navigation, item selection and ordering are intuitive to promote reuse. Images, descriptions model numbers, finishes and conditions are generally all users need to select items. More detailed information for ordering is available on request, and granular data is available for inventory management as requested.

**Human Interface**

While well planned managed inventory programs largely run themselves, each client has a Re-form program contact that may be consulted as needed. Re-form contacts understand furniture reuse, and our knowledge base on current and discontinued furniture models is extensive. We've been doing this for over 30 years. In addition to furniture knowledge, client administrators have access to technical consultation for querying specific items, furniture usage trends, inventory aging by item, and other reporting to facilitate inventory management. Fancy graphs and slick user interfaces are nice, but there is no substitute for talking to someone with experience and to work through alternative solutions and avoid potential problems.

**What Happens Next**

New inventory management clients go through a predictable evolutionary process, and almost always have a gut level instinct that they have too much stuff. The first step is discovery, tracking down where everything is, and beginning to unpack the piles and sort out what needs to go away and what stakeholders might want to reuse. At this point useless product is disposed of, recycled, donated or otherwise liquidated during this first cull, prior to shipping to Re-form and adding it to inventory.

Subsequent culling occurs after time, as reporting shows what clients are using, and not. And as more valuable inventory becomes available for reuse, the client will want to balance inventory levels through web based disposal shipments. This balance takes time to fine tune, but the process is completely in the control of the client administration team.

**Inventory Management Implementation Process**

1. Website development – collaboration with administrative client
   a. Categories and Subcategories – how is inventory to be displayed on website.
   b. User interface – what information is needed for client orders, and to qualify orders for shipment. To what degree will facilities administrators need to qualify orders?
2. Inventory consolidation .
   a. First cull – accumulated inventory is reduced by factoring utility and value as storage areas are cleared. Unwanted inventory can be disposed of at that point, or tagged for recycling and disposal when product is received at Re-form.
   b. Relocation to warehouse – inventory is shipped to the Re-form warehouse.
3. Inventory Receipt
   a. Inspection and condition determination – prearranged condition criteria are applied to received furnishings, and any items not meeting acceptable conditions are disposed of.
   b. Data collection – items meeting acceptable condition criteria are entered into inventory and photographed, then posted to client website.
4. Beta Testing of Inventory Posted to website
   a. Review of data reporting – initial review of website data.
   b. Testing of user order form – verifying for function.
   c. Third culling – if necessary, upon review of web inventory data.
5. Following a Period of Use, Analysis
   a. What are users ordering?
   b. Fourth culling (based on aging and ordering trends)
6. Moving on
   a. Continued analysis of ordering trends to maintain optimal cost for storage vs stakeholder utility.