

TO: Brand VP
CC: Brand Director
FROM: Cathy Tinker
RE: **Sun Masterbrand – Inventory Action Plan**
DATE: XX/XX/XX

Current Situation:

The Sun Laundry P&L for 2014 Q2 LE is \$0.7MM for Obsoletes and \$0.016MM for Liquidations. The Sun Dish P&L for 2014 Q2 LE is \$0.1MM for Obsoletes and \$0.004MM for Liquidations.

Background:

Sun's non-active inventory is divided into buckets:

- Bucket 2: Transitions. Soft transitions from old packaging to new packaging.
- Bucket 3: Discontinuations. Inventory needs to be run out until depleted.
- Bucket 4: Liquidations. Finished good is placed on discount sale to deplete the inventory.
- Bucket 7: Destroy. Inventory is damaged and needs to be destroyed.
- Bucket 9: Obsoletes. No inventory or demand for the finished good.
- STEP: Soon to Expire Product. Inventory will expire in the next 90 days and will likely become un-sellable.

Action Plan:

Below is our plan to work down the \$413,578.07 of finished goods inventory by December 2014:

- Bucket 2 (4 SKUs)
 - Owner: Brand
 - Current Balance: \$134k (-\$42k vs. prior month)
 - Plan:
 - 117oz FMB = \$17k (-\$5k vs. prior month)
 - CM to deplete – finding outlet to take
 - 150oz Bottle Transition = \$92k (-\$18k vs. prior month)
 - Continue to deplete through Dollar Tree and Military
 - 6/96oz Oxi = \$24k (-\$11k vs. prior month)
 - Continue to deplete through Winco
- Bucket 3 (5 SKUs)
 - Owner: Customer Marketing/Brand
 - Current Balance: \$278k (-\$87k vs. prior month)
 - Plan:
 - 117oz Additional Items = \$244k
 - Work with Customer Marketing to run out of 117oz inventory
 - 19oz Powder = \$33k
 - Discontinued in August
- Bucket 4 (5 SKUs)
 - Owner: Susan Olsen
 - Current Balance: \$900
 - Plan:
 - Place inventory on discount sale for up to 50% off.
- Bucket 7 (3 SKUs)
 - Owner: Susan Olsen
 - Current Balance: \$2k
 - Plan:
 - Destroy damaged inventory.
- STEP
 - Owner: Susan Olsen
 - Expires in 46-90 Days: \$361
 - Expires in 151-180 Days: \$39,210
 - Island Essence Oxi 75oz

Next Steps:

- Work with Customer Marketing to run out of 117oz inventory
- Work with Customer Service to deplete 150oz inventory
- Work with Supply/CM to accurately run out of 19oz
- Ensure Soon to Expire Product is shipped with next order using FIFO.

Appendix I: Bucket 2 – Transitions (inventory through 8/28)

| Item | Descr | OH | OH (\$) |
|--------------|-------------------------------------|---------------|---------------------|
| 101119040 | SUN 6/96Z FPT OXI | 1,312 | \$ 24,324.48 |
| 101216328 | SUN 4/117Z HD2 FRESH MORING BREEZE | 2,340 | \$ 17,456.40 |
| 197002186 | SUN 4/150Z HD2 FRESH MORNING BREEZE | 301 | \$ 1,655.50 |
| 197002266 | SUN 4/150Z HD2 OXI | 13,964 | \$ 91,184.92 |
| Total | | 17,917 | \$134,621.30 |

Appendix II: Bucket 3 – Discontinuations (inventory through 8/28)

| Item | Descr | OH | OH (\$) |
|--------------|--|--------------|----------------------|
| 197002018 | SUN 4/117Z HD2 FRESH MORING BREEZE | 414 | \$ 3,262.32 |
| 197001302 | SUN 14/19Z HS CLEAN FRESH | 2,482 | \$ 24,224.32 |
| 197001303 | SUN 14/19Z HS MOUNTAIN FRESH WBLEACH | 936 | \$ 9,088.56 |
| 197003361 | SUN 30/4/117Z HD2 CLEAN FRESH TRAY | 894 | \$ 231,921.86 |
| 197003364 | SUN 30/4/117Z HD2 MOUNTAIN FRESH WB TRAY | 37 | \$ 9,559.40 |
| Total | | 4,763 | \$ 278,056.46 |

Appendix III: Bucket 4 – Liquidations (inventory through 8/28)

| Item | Descr | OH | OH (\$) |
|--------------|--------------------------------|------------|------------------|
| 197002595 | SUN 4/117Z HD2 CLEAN FRESH | 75 | \$ 455.25 |
| 197002355 | SUN 4/117Z HD2 FREE CLEAR | 19 | \$ 111.15 |
| 197002351 | SUN 4/117Z HD2 TROPICAL BREEZE | 28 | \$ 163.80 |
| 101230633 | SUN 2/188Z HD2 TROPICAL BREEZE | 11 | \$ 52.36 |
| 197002597 | SUN 4/117Z HD2 OXI | 15 | \$ 117.75 |
| Total | | 148 | \$ 900.31 |

Appendix IV: Bucket 7 – Damaged Inventory (inventory through 8/28)

| Item | Descr | Total Inv (cs) | Total Inv (\$) |
|--------------|--------------------------------------|----------------|--------------------|
| 197002880 | SUN 6/24CT SLP TROPICAL BREEZE | 210 | \$ 1,159.20 |
| 101230062 | SUN 6/45.4Z HD2 TROPICAL BREEZE TRAY | 7 | \$ 37.70 |
| 101230106 | SUN 6/45.4Z HD2 CLEAN FRESH TRAY | 280 | \$ 1,439.20 |
| Total | | 497 | \$ 2,636.10 |

Appendix V: STEP Inventory

| SUBTOTALS | | |
|-----------------|-------|--------------|
| STEP Cat | Qty | Price |
| EXPIRED | - | \$ - |
| 1 to 45 Days | - | \$ - |
| 46 to 90 Days | 40 | \$ 361.60 |
| 91 to 120 Days | - | \$ - |
| 121 to 150 Days | - | \$ - |
| 151 to 180 Days | 2,468 | \$ 39,210.24 |
| > 180 Days | 171 | \$ 2,671.92 |
| Total | 2,508 | \$ 39,571.84 |