



# The Value of Empty Space

By Joe Sharp

**Y**ears ago, when I was COO and CFO of a consumer products company, Costco was our largest customer. We shipped full containers from our factory to supply Costco stores around the world and individual orders from our Illinois warehouse for its U.S. and Canadian websites.

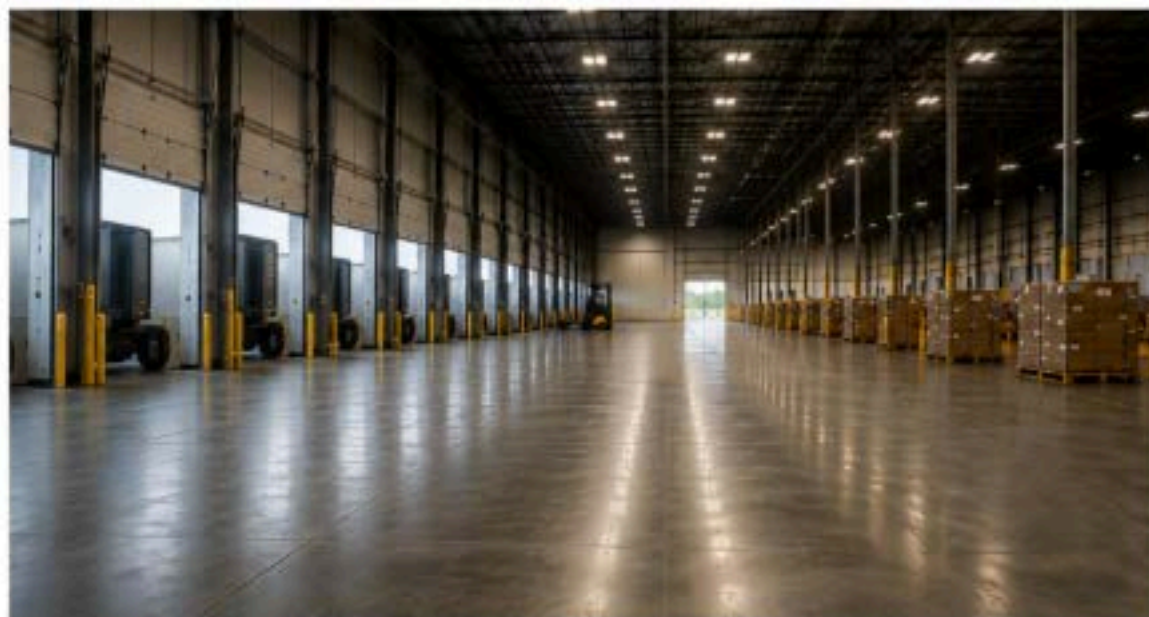
Doing business with Costco gave me a perspective most customers never see. But one of the things I remember most clearly had nothing to do with a Costco store. It was the empty floor of a distribution center.

I visited Costco distribution facilities outside both Seattle and Atlanta. Despite being thousands of miles apart, the operations looked remarkably similar. Trucks from suppliers backed into loading docks on one side. Merchandise was unloaded, pallets were broken apart, and products were sorted and recombined into shipments for individual stores. On the opposite side, another line of trucks waited to take those newly assembled loads out.

By the end of the day, the floor was empty. Every day.

That detail stayed with me. Merchandise wasn't sitting around simply because there was room for it. Products came in with a destination and moved on.

## **When Keeping Something Makes Sense**



What made the lesson more interesting was that Costco did store some things. In another part of the facility, I saw products purchased well in advance. Some were commodities Costco expected to become more expensive. Others were products they anticipated could become difficult to obtain. I remember stacks of pumpkin pie filling being stored well before the holiday season, when shortages could become a problem.

That inventory wasn't there because Costco had failed to move it. It was there because Costco had deliberately decided to hold it. Someone had calculated that buying early was worth the cost of using valuable space for storage.

The lesson wasn't that inventory was bad. It was that inventory needed a reason to exist.

That experience changed the way I thought about space long

after I left the consumer products business. Every organization accumulates things: old furniture, extra equipment, supplies from programs that no longer exist, and boxes someone thinks might be useful someday. The argument for keeping them is usually simple: It's still good. We might need it.

Both statements may be true. Neither answers the more important question: Is keeping it worth what it costs us?

An old desk may prevent a room from becoming an office for a new employee. Stored furniture may keep a space from supporting a new program. Things repeatedly moved from one storage area to another consume staff time every time someone needs the room.

There is also a cost to clutter. Clean, organized spaces make it easier to see what you have, find

what you need and imagine what a room could become.

### **The Same Calculation at Home**

The household version is familiar. A spare room gradually becomes storage. A garage fills with things that still work. A cabinet holds supplies bought at a price too good to pass up, even though there were already plenty at home.

We tend to remember what we paid for those things. We are less likely to ask what keeping them costs now. Can we use the room as intended? Can we find what we need? Are we buying duplicates because we have forgotten what we own?

Even a good bulk purchase deserves that calculation. A lower price per item can be worthwhile if we will use the quantity and have sensible space for it. If some of it goes unused, spoils or crowds out something more useful, the savings may be smaller than they appeared.

Over the years, I became increasingly comfortable parting with furniture, equipment and materials that were still perfectly usable. Whenever possible, we donated them or found someone else who could use them. Sometimes we threw things away.

It can feel wasteful to part with something that still has value. But something can be useful and still

cost more to keep than it is worth.

The calculation also works in the other direction. During COVID, I had to make decisions about what we needed available and how much to keep on hand. Normal assumptions about availability and lead times no longer applied. Carrying additional inventory could be far more valuable than preserving empty space.

That was exactly what I had seen at Costco. Most merchandise moved through quickly. When there was a compelling reason to hold something, valuable real estate was dedicated to it. The objective was an intentional decision about what deserved to occupy the space.

### **Room for Whatever Comes Next**

Another side of doing business with Costco reinforced a related lesson. Returns from stores throughout the U.S. and Canada eventually reached our Illinois warehouse. Most were ordinary returns. Some contained very old versions of our products, competitors' products or things completely unrelated to anything we sold. Once, memorably, we received a cinder block in foam packing.

The customer had received the refund. We received the box.

Costco had a process for documenting improper returns and ultimately making us whole. But documenting them created administrative work on our side. The

complexity hadn't disappeared; Costco had decided where the customer should experience it. That, too, was an operational choice about what belonged where.

I still think about those distribution centers. The empty floor represented capacity and flexibility. Tomorrow could begin without having to work around everything left over from yesterday.

We shouldn't discard things simply because they're old, any more than we should keep them simply because they might still be useful. We should understand what it costs to keep them and what else that space could become.

Sometimes the right decision is to stock up. Sometimes it's to hold something because we have good

reason to believe we'll need it. And sometimes it's to donate the furniture, recycle the materials, clear the room and move on.

The question is whether something has enough value to justify the space it occupies. Because sometimes the most valuable thing you can have in a space is room for whatever comes next.

#### **About the Author**

Joe Sharp is the founder of Sharp Focus Consulting and a finance and operations executive with more than 30 years of leadership experience in schools, nonprofits and businesses. He advises organizations and leaders on financial, operational and organizational challenges and writes about the lessons that come from the decisions leaders make every day. Learn more at [sharpfocusconsult.com](http://sharpfocusconsult.com).