

Retail Inventory Management Problems



The digital revolution may be upon us, but vast numbers of companies large and small still sell (and, in many cases, manufacture) physical products.

These products, and the materials used to produce them, create the need for one of the most complex and challenging areas of potential value creation and loss for any business: inventory management.

Theft, fraud, human error, and other problems make preventing lost value as important as gaining it through revenue.

Fortunately, technology, paired with strategic thinking, make it easier for both small businesses and large corporations to stop the bleeding and protect their profitability and productivity while meeting the needs of their customers.

Why Taming Inventory Management Problems Matters

Every business faces countless sources of potential expense and lost value every day.

But for those companies who manufacture and sell goods (as well as those who are simply selling items), to other businesses or directly to consumers, effective inventory control can mean the difference between smooth sailing and bailing out a rapidly sinking boat.

Why? Consider this: as of 2018, the National Retail Federation (NRF) reports that theft, fraud, and other losses cost retailers more than 50 billion dollars each year.

For the average business, nearly 1.4% of sales effectively disappeared into the ether due to these issues. A single incident costs each company, on average:

- \$1,264.10 for employee theft incidents
- \$2,885.15 for robberies
- \$546.67 for shoplifting/organized retail crime

Effective loss prevention and asset protection efforts are essential to minimizing these values—known as *stockloss*, *inventory shrink* or simply *shrink*—and preserving profitability.

The challenge is a significant one, however, because while robberies are relatively infrequent for the average business, shoplifting/ORC and employee theft can accommodate for more than two-thirds of shrink.

Human error, paperwork snafus, spoilage, and other factors account for the remaining third.

With inventory levels under assault in both cyberspace and the real world, effective inventory management requires a sophisticated and strategic approach in order to recover value—or prevent its loss in the first place.

Without effective communication, you can't establish roles and hierarchies to support those workflows. Approvals, updates, and policy changes can be delayed or even lost in the shuffle. Problem solving takes a serious hit as well; disconnected teams are likely to treat the elephant in the room as, well, anything but an elephant.

The Most Common Inventory Management Problems

Managing inventory touches on everything from large initiatives like supply chain management to smaller, but no less important, particulars related to lead times, customer demand, and stock levels for individual products.

Every business is different, but it's likely you'll encounter one or more of these while fine-tuning your inventory system.

Problem One: Inefficient Communication and Incomplete Access

Like a lot of other problems that can crop up in the workplace, inventory management problems often begin with miscommunication.

If your team's not on the same page, lacks real-time access to essential information, and has no easy way to share updates, it will be extremely difficult for them to create workflows that support a complete and accurate inventory system.

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And if your eCommerce and brick-and-mortar inventories aren't synced properly, your sales staff, marketing team, and (most importantly) your customers may not have access to important information about the products you offer—or even the products themselves. Financial records, forecasting, and reporting will also be compromised, leaving you without the data you need to budget and plan for the future.

Problem Two: Sub-Par Warehouse Management

Large, often labyrinthine, and difficult to organize manually, warehouses can

create significant pain points, and serious losses, if managed inefficiently.

Manual data collection, paired with a lack of a centralized data management strategy, can create a breeding ground for:

- Lost orders.
- Inaccurate inventory counts.
- Inaccurate or duplicated barcodes and stock keeping unit (SKU) numbers
- Slow order fulfillment.
- Shipping errors.
- Inaccurate or incomplete returns.
- No connection between purchase orders, shipping documents, and invoices sent
- High storage costs and less space for more successful products due to excess inventory.
- A high amount of *dead stock*, or older, less popular products that aren't necessarily spoiled, damaged, or destroyed, but simply not in demand. As with excess inventory of current products, this can consume storage space and resources better spent on housing items that *are* in demand.

That same lack of centralized data management and poor communication can also create inventory discrepancies across multiple locations, creating an exponentially expensive inventory management disaster.

Problem Four: Overselling

The opposite problem to warehouse bloat from excess inventory is just as disheartening: discovering your stock levels can't meet customer demand.

Both problems stem from the same source—poor communication, a lack of effective analytics, and incomplete inventory tracking. Without total visibility of your supply chain and reliable access to shared data resources, it's all too easy to make a mess of demand patterns.

Overselling reflects inaccuracies in what's known as *safety stock*—the minimum number of items that should always be available to meet expected demand.

And since the values for every product you sell can change with seasonal trends and evolving customer tastes, not having a consistent and accurate way to track

this value can leave you scrambling to fill orders.

Problem Five: Spoilage

Perishable products like food, medical products, cosmetics, and beverages can spoil when left to languish. Ordinarily, spoilage can be avoided (or at least minimized) through first-in first-out (FIFO) management, ensuring the first stock that arrives is the first to be shipped to customers.

Manual inventory management can make it hard to track inventory effectively, including expiration dates. As a result, without proper inventory controls in place, FIFO may give way to UH-OH in a crowded, poorly organized warehouse.

Problem Six: Haphazard Customer Service Levels

Top-notch customer service requires not just good products at a fair price, but being able to address customer concerns and questions on demand. And if you're working with incomplete inventory information, answering questions about reorders, availability, or lead times can be next to impossible—not to mention filling the orders you've already got.

The Solution: Inventory Management Software

Tackling all of the problems that can arise from slow, inefficient, incomplete, and error-riddled inventory management requires more than a switch from pen and paper to an Excel spreadsheet.

Choosing an inventory management solution powered by both automation and artificial intelligence transforms every aspect of how your team handles inventory, whether as an addition to your existing enterprise resource planning (ERP) package or as part of a stand-alone, centralized procurement solution.

Imagine how much easier inventory, and how much healthier your bottom line, can be with:

- Real-time visibility, access and communication for *all* stakeholders, both from the desktop and on the go with a mobile app.
- Automated review and approval workflows, including automatic reminders to keep the ball rolling and contingency roles and workflows

for all hierarchies.

- Tighter cybersecurity and transparent, real-time inventory updates between both eCommerce sites and physical locations.
- Optimized inventory counts for rock-solid reporting, forecasting, and analytics.
- Better customer service thanks to improved visibility and accurate data for all products.
- Reduced or eliminated duplicate orders, rogue spending, and fraud thanks to centralized data management and complete transaction data tied to POs, invoices, shipping documentation, and communication like email, fax, and IMs.
- Vastly improved supply chain management, with user-friendly catalog creation, gated access for suppliers to crucial information, and free-flowing communication that aids in relationship development while you optimize and diversify your supply chain.

Isn't It Time You Cut Your Losses?

If your business is still tracking and planning its inventory by hand or with outdated tech, even a banner year can become a Pyrrhic victory when stock loss bites into your profits.

Integrating an automation-powered inventory management solution into your ERP makes it possible to take control of your inventory, meet demand more efficiently and effectively, and reduce costly losses.

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