Five **Best Practices** for Omnichannel **Inventory Management**

Learn the Secrets of How Leading Brands & Retailers are Thriving

From the SPRINGBOARD RETAIL SPRING TRAINING LIBRARY

Inventory management is key for profitability in retail.

Disappointing customers by missing trends or not meeting their demand puts brands and retailers in a serious deficit when they have to rely on reactive discounting. Plus, today's consumers are especially savvy. They have high expectations, demanding inventory visibility in real time across all channels and wanting to be able to shop seamlessly wherever, whenever they want.

We've moved unequivocally toward an age of instant gratification that leaves very little margin for error. But by responding quickly to changing market conditions and meeting the needs of customers on their terms through the use of data, brands and retailers of all sizes can compete with the giants.

Here are five best practices for managing inventory across multiple store locations and channels.

1 Real-time data is key

Real-time enterprise-wide inventory visibility across all of your channels is absolutely essential to running a successful omnichannel business. Without this holistic view of sales and stock, you run the risk of overselling, overstocking, and overpromising. Your Boston store or pop-up location may place a customer order for a dress that should be in stock in Chicago, yet actually sold out two hours ago. Your warehouse may initiate a transfer for 40 units of earrings when they see San Francisco's stock is low, when in reality earrings are one of their poorest performing items with an abysmal sell-through. These are prime examples of how to lose profits and potentially upset customers.

Likewise, this level of visibility allows brands and retailers to fix any inventory problems that arise in real time—issues like:

- Transfer discrepancies
- Negative inventory
- Dead stock and cash tied up in merchandise that is not moving
- Low inventory for high-performing stock
- Out of balance inventory or too much inventory in one channel when there is higher demand in another

2 Integrate all systems

Today's customer demands a seamless unified commerce experience, and to offer such, your retail management system—including POS, CRM, inventory management, order management, and purchasing & receiving—must integrate with your ecommerce platform.

Choose systems that offer a bi-lateral sync of your entire catalogue, so that when orders are placed online, they'll sync to your POS, at which point you have the option to process orders from a central point of fulfillment (like a warehouse), or split fulfillment across multiple store locations, depending on where the inventory lies.

And just like with the issue of real-time data—or lack thereof—systems that do not boast a real-time sync of inventory levels can lead to overselling and other fulfillment errors, and no one wants to have to break that news to a customer who has already received an order confirmation.

Customers also want the convenience of being able to return online orders to a physical location; an integrated system makes looking up the customer's order history and putting the item(s) back into inventory a breeze. The same applies for cases in which customers buy at one physical store, but return in another.

Not only do unintegrated systems create hours of extra manual work for your staff, but they allow for a high margin of error and fail to offer a complete view of the customer journey and your business performance.

3 Create micro sales plans for each channel and location

Traditionally, brands and retailers were taught to either produce or buy for their businesses as a whole. The rule was to confirm that you have enough product on hand or on order to meet the master sales plan, then distribute inventory across your channels and locations based on store size and floor space. But this "set-it-and-forget-it" method will no longer cut it in today's competitive environment with customers who demand instant gratification.

To ensure you have the right product at the right time in the right place, brands and retailers must create micro plans by store location or channel, merchandise class, season, and any other categories that define your products. What sells at a high volume in your New York location, be it sundresses, neutral colors, petite styles, or size 6 shoes, may very well be opposite from what performs in Los Angeles.

Fortunately, a robust omnichannel order management system can help you place orders for any product you don't have on hand on the spot, but for the customer who desires instant gratification, was second guessing the purchase anyway, or needs the dress for dinner tonight, you've just lost the sale.

4 Identify recurring trends

The more data you collect, the easier it will be to spot trends that will inform your sales forecasting and future buying decisions. Using your POS's reporting tool, pay attention to spikes and lulls in sales and how they correspond with different time periods. Then, analyze your marketing efforts, current events, regional events, and other factors to figure out why. If you can identify the reasons behind the spikes and lulls, you can also deduce whether or not it will happen again at the same time next year under the same circumstances, helping you plan inventory accordingly.

No matter how big your footprint, these reports should be run on an individual store level as well. Shopping center sidewalk sales, town festivals, different school vacation weeks—all occasions that will likely drive extra traffic to certain locations and should be stocked for appropriately.

These insights can also help you plan ahead for ad campaigns and marketing initiatives, ensuring you make the most of such occasions where consumers are in higher need of your products. It's equally as important to recognize when sales spikes are not tied to a recurring event, such as a natural disaster, or website crash, so that you do not order or transfer extra inventory off of an incorrect assumption.

5 Regular partial inventory counts are more impactful than annual inventory audits

Quicker and more manageable, partial cycle counts should be done at least monthly in your brick & mortar locations, or, as soon as a discrepancy arises (ie. your inventory management system states that you have an item in stock when it's nowhere to be found on the sales floor or backstock). Waiting a full year between physical inventories means you could be sitting on many undiagnosed issues—employee theft and extended periods of mis-selling items being two of the most concerning.

Before making an inventory adjustment, you should investigate and note what may have caused the discrepancy.

- Theft?
- An order or transfer received incorrectly?
- Item rung up under a different name or SKU?
- Item set aside due to damage?

Once the issue is determined, a reason code should be added to the inventory adjustment.

Because full physical inventories can be time consuming, brands and retailers should prioritize by counting products with the highest cost on hand. It's also a good idea to perform extra partial counts after especially busy sales or holiday weekends, when foot traffic is buzzing and sales are high.