Five Key Strategies to Improve Inventory Precision and To Reduce Margin Risk

In the new retail environment – one that sees consumers browse via e-commerce before purchasing product in-store – retailers are under significant pressure to deliver omni channel capabilities. One of retailers' biggest challenges is to determine the right inventory investment to meet local customer demand, while ensuring the investment is profitable and margin risk is minimized

That challenge often results in significant unproductive inventory being "trapped" in the wrong store or distribution center. And then there's the problem of out-of-stocks at a local store level, which frustrates customers. As more and more retailers offer pick-up-in-store, ship-from-store and reserve-in-store options as offensive weapons against the "pure play" e-commerce retailers, it seems the situation is getting even more complex and costly.

Bottom line: for traditional brick and mortar retailers who are increasingly forced into providing a seamless view across channels, retailer profitability is often compromised, leading to inventory and fulfillment consistency and complexity.

Retailers are being faced with two difficult problems: 1) the high costs of addressing these inventory issues - whether through transfers, deep markdowns, returns, liquidations or write-offs; and 2) the negative impact to the omni-channel customer who is frustrated with not being able to get their order fulfilled exactly when and where they want it.

HRC makes Five Key Recommendations to Minimize Stranded Inventory and Meet Local Customer Demand

1. Understand Local Demand and Minimize Margin Risk

Instead of treating all items and locations in the same way, retailers should align their inventory deployment processes, metrics and systems with store profiles and product lifecycle characteristics. This is particularly important as local store demand is now coming from both walk-in traffic and digital channels.

2. Improve Inventory Productivity and Margin

Although new omni-channel capabilities, such as fulfill-from-store or reserve-in-store or pickup-in-store, can help address "stranded" inventory at the local store level, it comes at a very high cost. To achieve the dual benefit of improving inventory productivity and merchandise margins, retailers must design and implement flexible inventory optimization processes that address both speed and cost.

3. Make the Most Profitable Assortment Choices

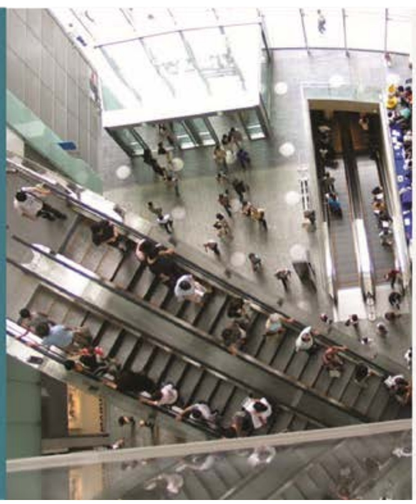
To achieve the right balance of minimizing unproductive inventory while ensuring items are in-stock in the right location to meet local consumer demand from all channels, retailers must be strategic about the assortment being offered at a location-specific basis.

4. Set Product Assortment Lifecycle Goals

Ensure that your buying practices incorporate expectations around how long each item should remain in the active assortment and how much should be purchased in the first place. Set realistic sales expectations to avoid over-buying.

5. Improve Inventory Transparency and Accuracy

Full visibility to inventory throughout the supply chain is critical to improving inventory productivity and meeting customer demand. Improving inventory accuracy is critical to meeting the customer promise of having the items available when and where customers want them.



For more information about how HRC Retail Advisory can assist your retail chain to improve the effectiveness and profitability of your omni-channel and your inventory optimization efforts, please contact

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