

Solution Requirements

Good retail inventory management is the ultimate goal for businesses – you’ve stocked enough product to meet demand without having stockpiles of leftover goods burning a hole in your pocket. It is a delicate balance that every retailer aims for – the perfect amount of merchandise that consumers want without having overstocked inventory that requires hefty markdowns that eat your profit margin.

Finding that retail inventory sweet spot — one that accounts for sales, holidays, and downtimes — is a practice that takes time, expertise, and the right strategies.

So how can retailers find that optimal level of inventory and perfect inventory tactics? There are a variety of [retail inventory management systems](#), strategies, programs, and technologies on the market today, but it takes a unique combination of all of these tools to improve a retailer’s stock management systems.

Here are 6 retail inventory management tips that incorporate unique tactics and the latest technologies to help retailers reinvent their management systems.

1. Evaluate Your Store Clustering & Merchandise Assortments

Retailers walk a fine line when forecasting how much product and product variation each store needs at a given time in the buying cycle. Merchandise assortments and the stores that receive these merchandise assortments, can be optimized to improve overall retail inventory management.

With proper tracking tools and [retail data analytics](#), retailers can monitor the performance of particular goods at particular stores. Then machine learning capabilities can help retailers optimize their assortment and store clustering. This also gives stores a better understanding of their assortments and corresponding sales performances. This data will empower retailers to ask questions like, “should we change that assortment to better fit that cluster of stores?”

Market conditions change, and trends in the market will impact how quickly retailers can move through certain goods. It is easy for retailers and retail inventory management fall a bit behind trends, but optimizing assortments and clusters with data technology can improve stock management.

2. Consistently Monitor Stock Counts

This may seem like an obvious point, but many retailers fail to consistently and accurately monitor their stock counts. A [State of Small Business report](#) stated that 46% of companies surveyed lack a robust retail inventory management system, and are either using manual systems or not tracking inventory at all.

Inventory management best practices call for the creation and monitoring of accurate stock counts on a regular basis. This is true for both distribution centers and physical stores, which traditionally count inventory on different timelines.

3. Optimize Forecasting Models Like ABC Analysis & Open to Buy

ABC Analysis and Open to Buy models are tried-and-true retail inventory management strategies that can work, but new technologies mean there's even more room for improvement.

[ABC Analysis](#) refers to three categories of products – A is for high-value products with a low frequency of sales, B stands for moderate value products with a moderate frequency of sales, and C represents low-value products with a high frequency of sales. Once you've broken down your product offerings into these categories, you can prioritize which groups need regular attention and restocking, and which ones can be tended to more sporadically.

Open to Buy models help retailers plan for specific time periods. According to [Shopify](#), open to buy formulas help a retailer stock the right amount of the right products at the right time by showing the difference between how much inventory is needed and how much is available.

Because both of these models depend on historic data, market trends, and consumer patterns, they can both be optimized with advanced data science, machine learning, and artificial intelligence. Retailers can utilize these technologies against forecasting models to see where improvements can be made.

These technologies can be leveraged to improve many traditional forecasting models. Advanced data science and machine learning can ingest data from many sources quickly and continually update models, clustering, and segmentation. This helps retailers be more accurate in their planning and predictions.

4. Leverage Data Analytics

Data and data analytics are the key to intelligent retail management systems in the age of digital transformation. Nearly every step of a product lifecycle can be traced and studied, giving retailers a trove of valuable insight on product demand, market

trends, and consumer behavior. What matters next, is what retailers do with these insights.

The Internet of Things (IoT) has allowed for consistent and accurate connectivity across the inventory system. Machine learning, data analytics, and [enterprise resource planning systems](#) can take the data generated from those interconnected systems and inform retailers what steps should be taken to improve retail inventory management.

Once data analytics are put into practice, retailers will be able to optimize inventory levels, track and maintain product data, sales data, and more. Data-driven business decisions will drastically improve inventory management practices.

5. Have Supplier & Logistics Contingency Plans

Market circumstances are fluid and can be easily impacted by a wide variety of geographic, political, socioeconomic, natural, and cultural influences. That being said, retailers need to have contingency plans in place in case of an unforeseen disruption from one of these outside influencers.

In a report from Accenture, 73% of companies participating in the survey experienced supply chain disruptions in the last five years, while only 17% indicated that supply chain risks are formally identified, assessed, quantified, prioritized, and therefore planned for.

Retailers should have contingency plans in place for both suppliers and product logistics. Secondary supplier resources, transportation alternatives, and even store-to-store product sharing can help alleviate the pinch retailers can feel in an unexpected crisis.

6. Understand Ecommerce vs. Store Inventory

Traditionally, retailers had a separate inventory division for both ecommerce and brick and mortar stores. They were run like two separate businesses – each bought their own inventory and managed product flow on an independent basis.

Today, that has all changed. Ecommerce and in-store experiences are blending together in the omnichannel retail world – customers may go to a website and pick up in store, or they may return an ecommerce purchase in the store. The key to good retail inventory management is breaking down those siloed systems and making the entire inventory system work together.

Good retailer customer relationship planning and enterprise resource planning software will help streamline those operations under one roof, while generating valuable data that can then optimize those systems. Retailers will be able to see what types of product sell better in-store vs. online and can adjust inventory levels accordingly.

Optimizing your retail inventory management system is just steps away, all you need is a comprehensive retail solutions platform. At Hitachi Solutions, we have been empowering retail businesses of all sizes with the tools and insights they need to streamline operations and improve efficiencies across their operations. [Contact us](#) to learn more about our solutions for retailers like you.