What is a Stock Keeping Unit (SKU)?

SKU (pronounced “skew”), short for stock keeping unit, is used by retailers to identify and track its inventory, or stock. A SKU is a unique code consisting of letters and numbers that identify characteristics about each product, such as manufacturer, brand, style, color, and size.

Companies issue their own unique SKU codes specific to the good and services it sells. Two companies selling the same item, such as yoga pants, would likely issue two different internal SKUS.

The purpose of SKUs is to help companies more accurately and quickly account for every piece of their inventory. They are different from model numbers, but model numbers can be incorporated into a SKU if a company so chooses.

Where SKUs are Used

You will typically find SKUS in use in:

* Warehouses
* Retail stores
* Catalogs
* Etailers
* Product fulfillment centers

How SKUs are Formed

Companies have their own systems for creating unique SKUs, but there is always a specific method involved.

A SKU for a pair of purple Ugg boots in the Bailey Bow style, size 7 might look something like this: UGG-BB-PUR-07.

Or a bottle of Tropicana orange juice, no pulp variety, in an 89-ounce plastic bottle might be issued a SKU by a corner bodega that reads: TROP-NP-PLAS-89.

There is no set way to create a SKU, but companies that develop their own system will want to have a method that everyone follows and understands, so that it is easy to decipher the code. SKUs are human readable, meaning that you don’t need any equipment to read and break down the code.

What a SKU is Not

SKUs are sometimes thought to be synonymous with UPC bar codes, but they are not. A SKU is an internal code that each business can create for itself. A UPC, however, is the same no matter who sells the product.