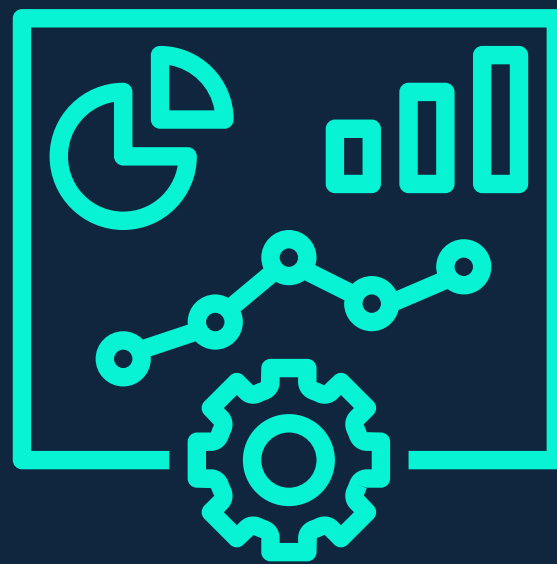


# Top 5 Stock and Inventory Management **Reports** Your Business Needs in 2023 for Strategic Decision Making



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# The Importance of Inventory Management Reporting: Enhancing Business Efficiency

Inventory management reporting plays a critical role in the successful operation of any business that deals with physical goods. It provides key insights that can enhance operational efficiency, improve customer satisfaction, and increase profitability.

- ✓ Better Decision Making
- ✓ Cost Savings
- ✓ Improved Cash Flow
- ✓ Enhanced Customer Satisfaction
- ✓ Identify Trends and Patterns
- ✓ Prevention of Stockouts and Overstock
- ✓ Efficient Use of Warehouse Space
- ✓ Accurate Financial Reporting

# What are Stockouts and Overstocking? How an Inventory Management Solution can help.

Stockouts and overstocking are both inventory management issues that can have negative consequences for a business. The key to effective inventory management is to strike the balance between the two extremes! This can be a balancing act and requires you to understand and monitor your product data closely.

Both stockouts and overstocking can be avoided through effective inventory management practices, such as accurate demand forecasting, efficient supply chain management, and regular monitoring of inventory levels. By maintaining an optimal level of inventory, you minimise the risk of stockouts and overstocking and ensure that you can meet customer demand while maximising profitability.

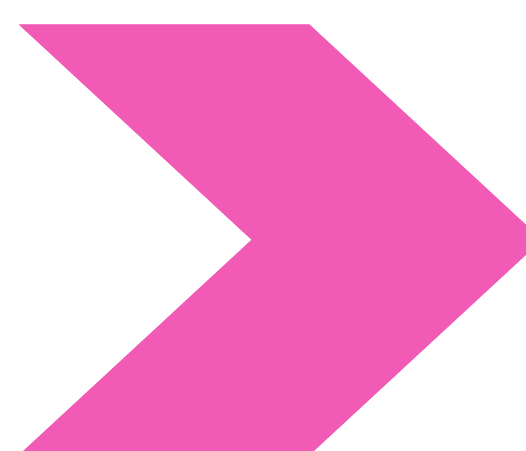
All sounds good on paper! But how do you set these practices up in your business?

The advances in cloud computing have made great solutions available to businesses of all sizes, but the benefits are best felt by SMEs. Inventory management systems (IMS) such as Unleashed are a great place to start when you're trying to get a handle on your stock. This allows you to have far greater visibility and control of your stock than manual processes allow. What's more, it integrates brilliantly with Xero Accounting software as well as offering integration into even more stock control software such as Stocktrim. If you're an ecommerce business, Unleashed offers integrations to most major platforms such as Shopify and Amazon. An IMS like Unleashed is also a great starting point for further data reporting from which you can perform ABC or RFM analysis.

A stockout occurs when a company runs out of a particular product or item and is unable to fulfil customer orders. This can result in lost sales, dissatisfied customers, and damage to the company's reputation. Stockouts can occur due to a variety of reasons, such as inaccurate forecasting, supply chain disruptions, or unexpected changes in demand.

On the other hand, overstocking occurs when a company has too much inventory and is unable to sell it within a reasonable timeframe. This can tie up valuable resources and result in increased holding costs, such as storage and maintenance expenses. Overstocking can also lead to a company having to discount its products in order to clear inventory, which can negatively impact profitability.

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# Optimise Inventory Management with ABC Analysis. Boost Efficiency and Minimise Costs.

ABC analysis is a technique used in inventory management to classify items in a stock based on their level of importance or value to the business. ABC analysis can add real depth to your understanding of your stock and allow you to make smarter decisions in inventory management.

- ✔ Identify Inventory:
- ✔ Determine Annual Consumption Value
- ✔ Improved Cash Flow:
- ✔ Rank Inventory
- ✔ Calculate Cumulative Percentage
- ✔ Categorize into Groups



**Efficient Resource Allocation:** ABC Analysis allows you to identify the most valuable items in your inventory (typically referred to as "A" items). These high-value items often contribute the most to your revenue or are crucial for your operations. By allocating more resources and attention to managing these items, you can ensure their availability, minimize stockouts, and meet customer demand effectively.

**Cost Optimization:** With ABC Analysis, you can identify low-value items (usually classified as "C" items) that have minimal impact on your revenue. By managing these items differently, such as implementing automated ordering or reducing safety stock levels, you can minimize holding costs and free up resources for more critical items.

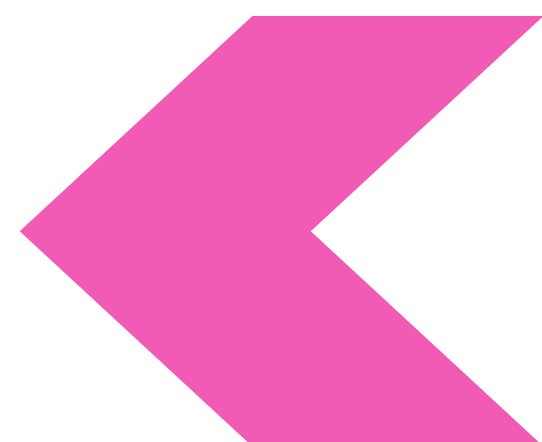
**Demand Forecasting Accuracy:** By analyzing historical data and categorizing items based on their consumption patterns, ABC Analysis helps you better understand the demand characteristics of different items. This insight enables more accurate demand forecasting, allowing you to plan inventory levels more effectively and reduce excess stock or shortages.

**Supplier Management:** ABC Analysis can guide your supplier management strategy. For high-value items ("A" items), it is crucial to develop strong relationships with reliable suppliers to ensure a consistent supply and reduce lead times. Meanwhile, for low-value items ("C" items), you may consider alternative sourcing options, such as aggregating orders or exploring cost-effective suppliers.

**Inventory Control:** ABC Analysis provides a framework for implementing different inventory control policies based on the item's value. For example, for high-value items, you might implement a more stringent control system with regular cycle counts and tight inventory monitoring. For low-value items, a less rigorous control system may be appropriate, allowing for more flexibility.

**Risk Mitigation:** By closely monitoring and managing high-value items, ABC Analysis helps mitigate the risk associated with stockouts, production delays, or unforeseen supply chain disruptions. With better control and visibility over critical items, you can proactively address potential risks and implement contingency plans to maintain smooth operations.

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# Mastering Stock Turn for Success

For any physical product-based business selling online (B2B or D2C), efficient stock management is vital to maintain a competitive edge in the rapidly evolving digital landscape. Even if you've got the slickest Shopify store going, if you're not managing your stock, your sales can fall flat.

## What is the Correct Stock Turn for an Ecommerce Business?



Phil Oakley

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"The ideal inventory turnover for an e-commerce business can depend on several factors including the industry, product type, business model, and more. That being said, the average inventory turnover rate for e-commerce businesses usually falls between 4 to 6 times per year."

### Consider these factors:



#### Product Type:

Fast-moving consumer goods, such as groceries, will likely have a high turnover rate, while luxury or specialty items might have a lower turnover rate.



#### Business Model:

Drop-shipping businesses, for example, may have an extremely high turnover rate because they don't hold any inventory at all.



#### Seasonality

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#### Growth Stage:

If your business is in a high-growth stage, you might intentionally keep more inventory on hand to fulfill an increasing volume of orders.

## Strategies to Manage Stock Turn

### Real-Time Inventory Management:

Employing an advanced inventory management system (IMS) enables accurate tracking of stock levels, sales velocity, and reorder points. Unleashed offers real-time stock insights and is an accessible IMS for a wide variety of businesses. Real-time data empowers businesses to make informed decisions, identify slow-moving items, and adjust inventory levels accordingly. It can also aid in demand forecasting, preventing stockouts and overstocking situations.

### Demand Planning and Forecasting:

Analyzing historical sales data, market trends, and customer preferences allows you to forecast demand accurately. By leveraging predictive analytics and market insights, it's possible to optimize inventory levels, aligns procurement strategies, and adjust stock turn accordingly. Some solutions can work alongside an IMS like Unleashed to give you even more insight into demand and forecasting such as Stocktrim.

### Supplier Collaboration and Communication:

Establishing strong relationships with suppliers is crucial for efficient stock management. Collaborating closely with suppliers helps streamline the procurement process, reduce lead times, and maintain optimal stock levels. Regular communication ensures accurate order fulfilment, preventing stock shortages or excess inventory.

### Promotions and Sales Strategies:

Intelligently planning promotions, discounts, and seasonal sales can significantly impact stock turn. Offering targeted incentives for slow-moving items, bundling products, or implementing limited-time offers can stimulate demand and accelerate the stock movement. Linking this with effective RFM analysis can work well by using slower-moving stock items as incentives or rewards.

### Data-Driven Decision-Making:

Leveraging analytics and data through the use of reporting software such as Microsoft Power BI can also help you to make smarter decisions with your stock. Continuously monitoring and analyzing these metrics provides insights into stock turn patterns, helping identify areas for improvement and optimize inventory management strategies.

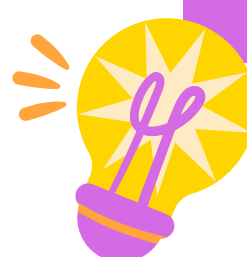
# The secret to business success is profitability. No margin, no mission.

## Margin analysis

Many businesses rely on some pretty basic barometers of success. Some will look at sales turnover, some profit while others, maybe more stressed business owners, will be all about the balance at the bank. A wise person once said. Turnover is vanity, profit is sanity but cash is king! Without profit, the cash will flow out faster than you can get it in.

While the sane and wise business owner may be looking at profit (both the gross profit on sales after deducting direct expenses and/or net profit after deducting all business expenses) few are looking at profit margins at a more detailed level that ultimately lead to a healthy cash balance.

## BONUS ROUND



### The perfect customer

If the 'cheap customer' causes the most problems then we often find that the reverse can be true of customers who pay a fair price, or even overpay! These are the customers to aim for and to encourage.

### Great customers

may already be hidden in your data and it's really wise to reward them so they stay loyal or even act as a cheerleader for your brand. Using RFM analysis can help to identify these 'Champions'.

## A more comprehensive analysis of profitability could encompass:

- ✔ Profit per product or service
- ✔ Profit per customer
- ✔ Profit per order

## Where to look to find your leaks?

- ✔ Low Margin Customers
- ✔ Low Margin products
- ✔ Profit per order

## Finding the leaks- how to spot your low-margin products and customers?

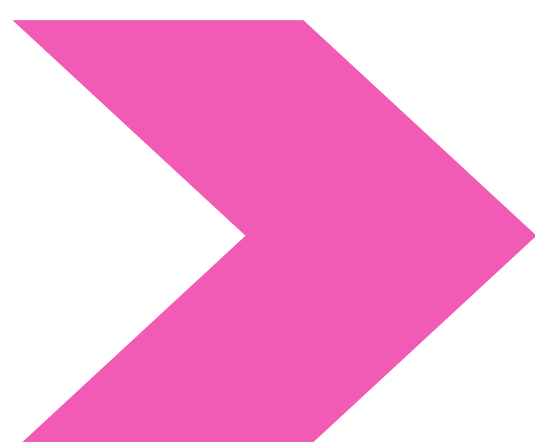
To begin margin analysis, you need great data. This often starts with great systems for inventory management (IMS) such as Unleashed and accurately tracking your costs. This may not be the only place to look however. Using a system like A2X to accurately consolidate payouts and associated fees from your ecommerce platforms can also help to give accurate figures.

An IMS like Unleashed will also give you actionable data relating to customer returns or returns on a product basis. This can help you sniff out the products and customers that are creating a lower margin.

From the data gathered in Unleashed, ABC analysis can also be performed (using something like Power BI) which will direct you to your slow moving, higher warehousing cost products.

Finally, a CRM system, such as Hubspot, will allow you to track customer communications. High interaction customers are likely causing a hidden cost in staff time to deal with.

Once you've found your low margin products and customers, you can then formulate a strategy to minimise their impact on your overall profitability.



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## ABOUT OUTSERVE

Outserve is well placed in supporting clients with their reporting requirements, using a team of experienced data analysts, financial and process consultants.



**PHIL OAKLEY**

Founder and Director at Outserve. Working with Challenger Brands to Know Their Numbers, Systemise Their Business & Scale.

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