

Knock Out Your Stock Outs (and Other Inventory Challenges!)

A Guide to a Better Food & Beverage Business



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Taking Stock of F&B Business Today

The Food and Beverage (F&B) industry is one of the most vibrant, passionate (not to mention delicious!) sectors out there. It also, unfortunately, has real capacity to get complex, if not downright complicated, when it comes to stock turn and inventory management.

Now, these might not be the sexiest subjects you've read about lately, but that doesn't mean they aren't integral to your F&B business success!

Inventory management reporting plays a critical role in the successful operation of any business that deals with physical goods. That role takes on a whole new level when those physical goods are perishable ones, too.

In these pages, we'll dive into the core things you need to consider when it comes to your stock: managing it, analysing it, and getting clear on your margins.

If you haven't got an inventory management system (IMS) yet, or you're worried about the one you do have, then we're extra glad you're reading this eBook.

Everything we've written is designed to take your operational efficiency, customer delight, and profitability to the next level, laid out in clear terms.

And if you're still a bit stuck?

Just give us a call.

We're here to help.

Phil and the Outserve team



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 **First of all, why bother getting this aggressively clear on your stock and stock levels?**

Well, off the top of our heads, here are a few perks we can think of:



Better Decision Making



Cost Savings



Improved Cash Flow



Prevention of Stockouts and Overstock



Better Use of Warehouse Space



Accurate Financial Reporting



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What are Stockouts and Overstocking?

We're pretty sure that you know exactly what stockouts and overstocking are, but let's dig into them from an inventory management perspective.

Stockout

A stockout means running out of an item that's in demand. Side effects can include lost sales, dissatisfied customers, and damage to your company's reputation. A stockout can occur because of several reasons, like inaccurate forecasting, supply chain disruptions, or unexpected changes in demand.

Overstocking

This means having too much of an item that no one is buying within a reasonable time frame. Side effects here include having expensive warehouse space taken up, products potentially nearing their expiration date, and having to discount those products to shift them, which can negatively impact your profitability.

Yikes.

As you may well have experienced, these issues can both have a massive impact on your business. Effective inventory management helps F&B businesses strike a balance between the two extremes, but for this to occur, businesses have to get a handle on their product data first.

Accurate demand forecasting, efficient supply chain management, and regular monitoring of inventory levels can all prevent being stocked out or overstocked. By keeping your inventory at an ideal level, you're making sure that you can meet customer demand and maximise profitability!

This is where an inventory management system (IMS) like Unleashed comes in so handy. This software is a great place to start when you're trying to get a handle on your stock, because it captures all the data you need to make smart decisions, and offers clear visibility into what you do and don't have, for inventory control.

For software nerds like us, an IMS like Unleashed offers you granular data reports that you can use for things like ABC analysis (keep reading!).

The ABCs of Inventory Management (sort of!)

ABC analysis is a technique used in inventory management to classify items you sell based on their level of importance or value to the business. While you might be familiar with it, we love a visual, so we've added it here for clarity.



A = The most valuable items in your inventory (typically 80% of your value)



B = Medium-value items in your inventory (15% of your value)



C = The lowest or low-value items that you have (5% of your value)



The way ABC analysis works is to help you identify how much of everything you have, and strategically guides how you approach inventory management, based on these items.



Roughly speaking, you would follow the six steps below for your ABC analysis:

1. Identify Inventory
2. Determine Annual Consumption Value
3. Improved Cash Flow
4. Rank Inventory
5. Calculate Cumulative Percentage
6. Categorise into Groups (A, B, or C)

Let's look at the benefits in practice.

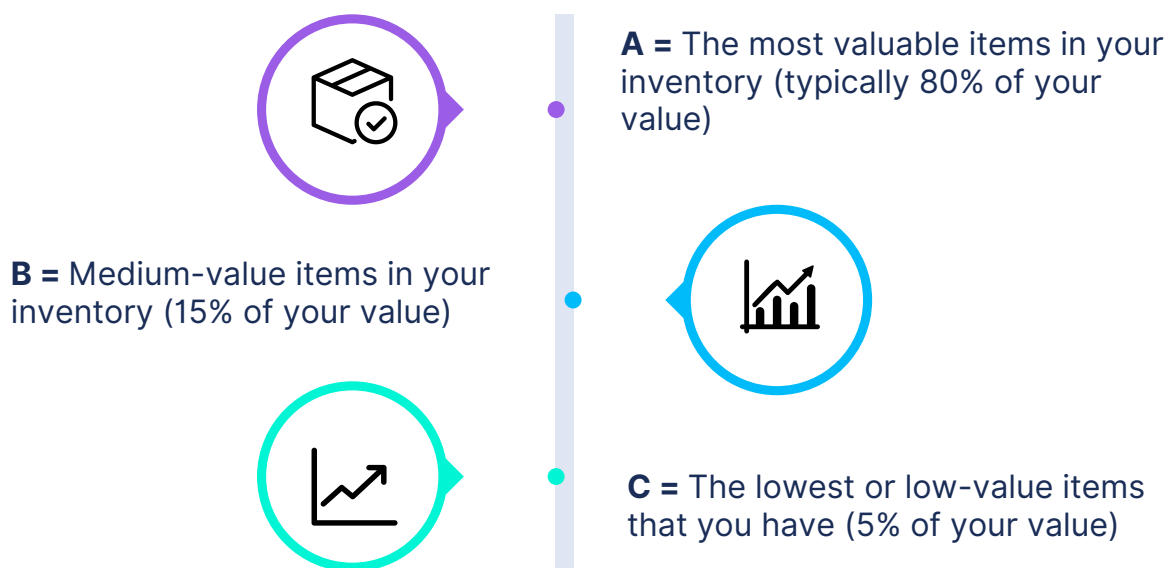


For example, you start by identifying your A items.

These high-value items often contribute the most to your revenue or are crucial for your operations, so you allocate more resources and attention to managing these products. By doing this, you've made sure that 80% of what drives revenue or adds value is available, meets customer demand, and is at less risk of stockouts.

Now, you turn your attention to C items.

These products have minimal impact on your revenue, so you manage them differently. You might think about automated ordering or reducing safety stock levels, to minimise holding costs and free up resources for more critical items.



Efficient Resource Allocation	A Items	C Items
Efficient Resource Allocation	Allocate more resources and time when managing these items.	Less focus on these items, potentially automate ordering here.
Cost Optimization	Get more ROI from time and resources spent on having these items in stock.	Reduce safety stock levels here, to free up resources and warehouse space.
Demand Forecasting Accuracy	Correlate sales with seasonality or other trends to ensure you can prepare for spikes in demand.	May need less in stock over time, or could even discontinue line if sales are marginal.
Supplier Management	Focus on developing strong relationships with reliable suppliers for consistent supply and reduced lead times.	Consider alternative sourcing options, such as aggregating orders or exploring cost-effective suppliers.
Inventory Control	Implement a more stringent control system with regular cycle counts and tight inventory monitoring.	Implement lighter-touch, less rigid control system to enable flexibility and free up time.
Risk Mitigation	Proactively monitor and manage these items to mitigate against the risk of stockouts, production delays, or unforeseen supply chain disruptions.	Lower-risk items can be responded to or handled reactively.

How to Master Your Stock Turn for Success

➤ For any F&B business selling online (B2B or D2C), efficient stock management takes on a whole new level. While savvy stock management is essential in any bricks and mortar store, the focus is at least just on the one location.

With e-commerce businesses, the world could be your shop window! It's vital to maintain a competitive edge by mastering your stock. This is because even if you've got the slickest Shopify store around (and we bet you do, too!) if you're not managing your stock proactively, your sales can fall flat with devastating consequences.

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Phil, our Founder, has some strong thoughts on the matter.

"The ideal inventory turnover for an e-commerce business can depend on several factors.

These include 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."



PHIL OAKLEY
Founder and Director at
Outserve.

Working with
Challenger Brands to
Know Their Numbers,
Systemise Their
Business & Scale.

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Product Type

Fast-moving consumer goods, such as everyday groceries, will likely have a higher turnover rate than luxury or specialty food items (looking at you, caviar and white truffles!).

Business Model

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

Seasonality

Just like our caviar-truffle combo, products such as high-end spirits are more likely to see seasonal spikes in demand at high points like Christmas and New Year.

Growth Stage

If your F&B business is in a high-growth stage, you might intentionally keep more inventory on hand to fulfil an increasing volume of orders (remember the Prime energy drink craze?!)



Our Five Fave Strategies for Stock Management

Well, we've nailed the basics (good job you!), but what are the practical things you'll want to consider for stock serenity in your F&B business?

1. It's a Non-Negotiable: Real-Time Inventory Management

Employing a smart inventory management system (IMS) will help you accurately track your stock levels, sales velocity, and reorder points.

As mentioned, we love Unleashed, because this software offers real-time stock insights and is an accessible IMS, especially for F&B businesses. It's great for helping you make informed decisions, identify slow-moving items, and adjust your inventory levels accordingly. It's also great for demand forecasting, preventing stockouts and overstocking situations.

2. Figure Out Your Demand Planning and Forecasting

Historical sales data, market trends, and customer preferences: these are a goldmine of insights that help you better plan for and predict demand! By leveraging predictive analytics and market insights, you can optimise your inventory levels, sort out your procurement strategies, and adjust stock turn in line with demand changes, seasonal spikes, and so much more.

Ideally, you'll want a software solution that integrates nicely with your IMS (we love Stocktrim for this) so they can give you even more insight into customer demand and forecast accordingly.

3. Always be Sweet to Your Suppliers! Collaboration and Communication is Key

Establishing strong relationships with suppliers is crucial for efficient stock management. If you can collaborate closely with your suppliers and communicate regularly, you'll be building trust that can help streamline the procurement process, reduce lead times, and maintain optimal stock levels.

Developing great supplier relationships is also more likely to result in timely and accurate order fulfilment: preventing stock shortages or excess inventory.

4. Sell Smarter, Not Harder: Seasonal Promotions

Take all the great data you now have, and get to planning promotions, discounts, and seasonal sales. Not only will selling intelligently significantly impact stock turn, but offering targeted incentives for slow-moving items, bundling products, or running limited time offers can spark demand and increase sales.

5. Data-Driven Decision-Making

Is there anything more worrying than a guesstimate in business?! Data takes the uncertainty out of every decision you make, by leveraging analytics and data, through tools like Microsoft Power BI.

Not only will integrated reporting software help you to make smarter decisions with your stock, but continuously monitoring and analysing your metrics shines a light on demand patterns, areas for improvement, and new opportunities.



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Our Parting Shot: No Margin, no Mission

Too many businesses rely on the most basic barometers for measuring success.

Some folks look at sales turnover, some look at profit, while others (and in our experience, these are the stressed-out folks) are all about the balance at the bank.

A wise person once said:

“Turnover is vanity, profit is sanity, but cash is king!”

Without profit in your business, the cash will flow out faster than you can get it in.

While the sane and wise business owner may be looking at profit (gross or net), we've found that very few business owners are looking at their profit margins in enough detail to create a healthy cash balance.

That's where margin comes in.

To begin margin analysis, you need great data (seeing a theme yet?). This often starts with IMS tools that help you to accurately track your costs, but integrating accountancy software like A2X or Xero is a good move too.

What you need is actionable data that clarifies any customer returns or returns on a product basis. This can help you sniff out the products and customers that are creating a lower margin or offer a diminishing return.

In addition, if you can accurately consolidate your payout figures and associated fees from your e-commerce platforms, you'll start to paint a very accurate picture of where your margins lie (and why).

Going back to your ABC analysis, you want to identify your slow-moving, higher warehousing cost products, as these are a low-margin risk that you could potentially eliminate.

We also hugely recommend investing in a CRM system, like HubSpot, to track customer communications.

People who interact excessively with your business (especially in a negative way) are costing you and your staff time and energy, and are making themselves low-margin customers

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

Sounds straightforward* enough, but we fully appreciate how tricky it can be to know where to start.

If there's anything we can do to help, book a call. The first 30 minutes are on us!

Thanks for reading,

Phil

*ish!



PHIL OAKLEY

**Founder and Director at
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About Outserve



- **Founded 2008**
- **15+ years of service**
- **10+ awesome team members**
- **100+ happy clients and counting**

Founded in 2008, and based in the UK, Outserve is a team of brilliant people who want to help you grow and scale your business.

You should have access to the best software on the market, and have it implemented in a way that works with your people and processes.

We're on a mission to help founders get back to doing what you do best – by freeing up your time and energy so you can make smart, data-driven decisions that unlock real growth.

Offering a wide range of much-needed services for small to medium enterprises, our team delivers everything from software implementation and integration to accountancy, bookkeeping and even data migration.

You can learn more about what we do on our Solutions page.

At Outserve, we help your business work better by integrating world-class software with your people and processes.

We hire brilliant, talented, dedicated individuals who never let a challenge hold them back. Our team are experts in their subject matter and thrive on setting your business up for success

outserve.



People ● Process ● Platform



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As a thank you for reading this, we're offering you a complimentary consultation call to get you started on the right path with everything we've talked about here.




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