

BUSINESS GUIDE

# Inventory Management Hacks for the Holidays

How to Ensure a More Successful, More Profitable Holiday Season





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Read Time: 5 minutes

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## How to Ensure a More Successful, More Profitable Holiday Season

Retail is poised to see its fastest growth since 1984, according to the National Retail Federation's (NRF) chief economist, who issued a forecast even more optimistic than the one [shared in February 2021](#). Sales are estimated to grow as much as [13.5%](#) through year's end to \$4.56 trillion.

Fulfilling this potentially historic consumer demand hinges on one thing—having the right inventory on hand. The pandemic made armchair supply chain management experts out of all of us, and it's not hard to see how the many issues contributing to delays and shortages could impact the winter holidays. The supply chain problem is so critical that the NRF, the nation's largest retail trade organization, is asking for the attention of the White House, noting in a [letter to President Joe Biden](#) that, in particular, issues at maritime ports have “led to inventory shortages impacting our ability to serve customers,” and “added significant transportation and warehousing costs for retailers.”

A significant proportion of the retail industry is feeling the impact: Some 70% of leaders surveyed by the NRF have seen delays that lengthen supply chain times by two to three weeks, and 85% are experiencing inventory shortages.

These issues are, of course, not unique to retailers—they are affecting pretty much every company in the consumer goods space. Shortages of key parts and materials have supply chain leaders [shifting production on the fly](#), basing what they make and ship more on what parts are available than demand from consumers. A dearth of microchips has led to shortages of everything from cars to appliances to computers, an issue that the U.S. government and private industry are actively looking to address. And, a critical shortage of labor is hitting not only retail and wholesale distribution companies but the industries that support them—including manufacturing and transportation.

Retailers make [at least 20%](#) of their annual revenue during the holiday rush, and typically more. The lull beforehand is always a good time to get inventory management processes and systems in order. But this year's unique supply chain issues make it absolutely critical to gain every possible advantage so you can efficiently manage inventory to fulfill orders on time and in line with what consumers demand.

Here's how.

## 1. Get inventory forecasts right.

Achieving a “just right” amount of inventory in terms of supply, price and delivery is a balance every consumer product and retail company strives for. A misunderstanding of lean manufacturing has some blaming current shortages and supply chain issues entirely on that methodology, but the fact is, lean principles can actually provide a lot of value in helping companies overcome their current supply chain challenges.

To effectively forecast inventory needs in an environment like this, companies need to employ dynamic demand planning formulas to make accurate predictions and figure out optimal replenishment levels. Demand planning takes into account historical demand and sales forecasts and calculates replenishment by factoring in schedules, availability, delivery speed and lead times.

Best practices for building demand planning models include:

- Apply linear regression models, using previous demand to project future inventory based on the ordinary least squares regression method.
- Use moving averages of historical demand to calculate the overall average stock level needed and then project future stock levels using that overall average.
- Use previous demand to examine seasonal inventory flow trends and project a similar seasonal trend for future stock levels.
- Use forward-looking sales forecasts (opportunities, estimates) to project inventory demand.
- Incorporate not only quantitative data but qualitative data that includes news and trends.

The outputs of these models—your forecasts—should be calculated for each individual channel, including online marketplaces, ecommerce websites and individual store locations. With a consistent forecasting strategy applied to every channel, your organization gains a complete picture of future inventory needs that is as accurate and up-to-date as it can be, meaning everyone is making decisions based on the same information.

A great example applicable to today’s environment comes from NetSuite technology consulting manager Dan Sloan of accounting firm Eide Bailly<sup>1</sup>. In 2014, Sloan worked for a consumer goods company that was bringing in products for its fourth quarter, peak season, sales. The CEO and supply chain director were paying close attention to the labor situation at the time on the Long Beach port in California and realized a strike was imminent. To head off any supply chain issues that strike could bring, they accelerated orders to bring in products earlier. With a sophisticated demand planning engine in place, it was easy to extend the lead times of those shipments, he said, to bring them in before the port was disrupted.

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“These actions led to a huge win, as their competitor’s containers were held up in the port and missed the crucial two weekends before Christmas. Not only did this lead to record sales, but it provided a competitive advantage in terms of market share going into the next year.”

Dan Sloan, NetSuite Technology Consulting Manager,  
Eide Bailly

<sup>1</sup><https://www.netsuite.com/portal/resource/articles/inventory-management/inventory-forecasting.shtml>



## 2. Inbound – turn to basics.

It's critical that accurate and up-to-date data is feeding the formulas and engines used to complete forecasts. For this reason, excellence in inbound processes is a huge part of making inventory management work at its best. Unfortunately, it's staggering how often the entire inbound process, or key parts of it, are managed in spreadsheets.

If, for instance, receiving processes are inefficient or can't guarantee close to 100% accuracy, everything else down the line will be affected. When a receiving associate marks three purple toothbrushes on a spreadsheet when only two were actually delivered, a picker who later goes to fulfill a customer order for three brushes will find only two in the bin. The processes and customer experience break down further from there.

Excellent [inventory management](#) starts with being able to answer three questions that seem simple but are actually quite complex:

- How many items do I have, and where are they?
- How many items have I committed to sell?
- Should I order more materials now?

Accurate and efficient receiving operations are the foundation of answering all of those questions, and the reason many companies begin the journey to automated inventory management by adding mobile scanning devices and mobile inventory management applications.

One big misstep for many is implementing mobile on the front-end without having a single database on the back-end to collect all of that information and serve it up to other relevant applications. Make sure your inventory management software integrates item receipts with inventory records and that each receipt updates inventory to show accurate stock levels and valuations. Warehouse staff need the right technology and training to use mobile scanning. They should be able to easily scan the PO number on the packing slip as well as [scan barcodes](#) on individual items in the shipment.

The best technology makes it easy and intuitive to see inventory status—for instance, by color-coding the status of items being received according to whether the shipment has arrived, is complete or is only partially complete. When receiving data is accurately captured at the docks and at the warehouse, the system can be used to automate more inbound capabilities, including stock counting.



Trends in [mobile scanning](#) include:

- **Force scan:** By requiring staff to scan products as they come in, force scanning ensures the right details are scanned and entered at the time of receipt—before the item can be received into inventory. It automatically assigns lot number, serial number, bin location and inventory status as items are received.
- **Cycle counting:** By using a mobile device to [conduct cycle counts](#), users are guided through each step of the count process and prompted to conduct a scan at each step to ensure they are at the correct location. This makes the count process easier and more accurate because the scan automatically updates the count record.
- **Mobile picking, packing and shipping:** On the outbound side, using a mobile app for order fulfillment ensures accuracy and helps associates avoid costly picking mistakes. Additionally, using “force scan” for picking and packing ensures the right items are going into the box in the right order, especially when picking for multiple orders.

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When companies collect all of this information, store it in a central database and enable users to access it via an intuitive interface, leaders can assess real-time information on inventory costs, quantities and asset values and make informed decisions about buying and selling inventory.

This allows the business to reduce order-to-delivery cycle times, improve productivity and customer service and ultimately increase revenue and profits.

Huge improvements in cycle count is one of the major advantages [Peepers](#), a fourth-generation, family-owned company specializing in fashion-forward eyewear, saw from greater automation in its inventory management processes. At times, the Peepers order entry team didn't trust the system when it said, for instance, that there were two units of a discontinued item left in the bin. After implementing NetSuite, the warehouse staff can now pick up an iPad, scan a bin on a target list and physically count those items to see if they are actually there. If the number is not correct within 10 units, that person can adjust the inventory directly in the system. If it's off by more than that, an additional layer of control kicks in, whereby a manager is alerted to vet the count against other information in the back-end system. Perhaps, for example, the items are earmarked for a large order that hasn't yet been fulfilled.

These and other technology and process enhancements have had a huge impact, preventing stockouts, accommodating backorders and partial fulfillment and ensuring accuracy in cycle counts, according to Peepers. If an item is on backorder, for instance, the NetSuite system kicks in to peel those items off the related invoice and sends them over as opportunities in the customer record. The opportunity is tracked as a potential sale and flipped into a sales order when the inventory comes back in stock.

### 3. Outbound – intelligently fulfill orders.

Supply chains are beset by labor, parts and supply shortages and shipping delays as well as rising costs. Customers want more, faster, for less money. That makes for a difficult environment, holiday rush or not. In fact, NRF's survey showed the top preferred online features from customers are free shipping and free returns. How can your organization profitably deliver?

Efficiencies in inbound processes will lead to efficiencies in outbound ones—all while giving the business access to data to make decisions that are cost and customer effective. For instance, once you know exactly how many units of any given item you have and where, reliably and consistently, delivering the experiences consumers are asking for is well within your reach.

To fulfill orders as intelligently as possible, your business should:

- Integrate inventory and order management systems. Best-in-class organizations have integrated order management and warehouse management capabilities that automatically fulfill orders from the location that makes the most economic and logistical sense. Treat the warehouse as a physical store—and reframe the store as a fulfillment center, to the extent possible.
- Process returns to inventory right away. Many companies rightly focus the returns process on customer-facing aspects—expediting necessary workflow approvals and automating refund processing. But what happens to the item once that refund has been issued? Set [policies and procedures around returns](#). If the item is resellable, it should follow the same procedures used in receiving new items.
- Monitor all channels and make adjustments based on demand. With a single view of inventory and order data, your organization has the

information needed to make decisions on moving items from one channel to another based on sales. For instance, you can much more easily meet customer demand for items that may not be available online but are available in a nearby store in the timeframe the customer requires.

[Marine Layer](#), a San Francisco-based retailer with 40 stores nationwide that's famed for its super-soft T-shirts, as well as other casual apparel, from kids' sweatshirts to adult swimsuits, is an example of a company that has achieved this sort of agility.

Growth made it difficult to stay on top of store inventory. Marine Layer's staff manually built reports on inventory and sales from a 10-tab spreadsheet. They struggled with determining inventory replenishment needs during different seasons and managing the resulting shifts in demand. The company implemented [NetSuite Planning and Budgeting](#) in early 2020, customizing it for demand planning with NetSuite consultancy Promethean Analytics. The tools have given Marine Layer visibility into inventory across stores and channels, empowering it to shift stock where and when it is needed and helping it adjust for seasonal demand. What's more, it can easily compare inventory data to financial information to make sure everything is on track.

### Ready to Find a Better Way to Manage Inventory?

Remember, nearly [40%](#) of consumers begin their holiday shopping before Halloween—and more and more, the conditions created by the pandemic have conditioned shoppers to start even earlier. By taking steps now to review inventory management processes, you can automate where appropriate to help mitigate supply chain issues and deliver greater efficiencies for the business and its customers. And, your organization will be well positioned to achieve record sales season amid historic levels of consumer demand.

