

#044 : Inventory with Inaccurate Records in Retail

(Part 1 – Impacts, Extent)

Retailers' inventory records can be inaccurate to a significant extent. This has been increasingly established in both the academic and practitioner literature.

Impacts

It is reasonable to assume that the higher the inventory record inaccuracy, the higher the impact on sales. Following is the monetary impact of “fixing” inventory record inaccuracy in Europe.

4% – 8%

Sales Uplift

- + Labour saving
- + Lower inventory investments

Extent

60%
Of SKUs

-6% to +6%
Discrepancies

Opportunities

Biggest improvement opportunity comes from high-volume, expensive SKUs.

Analysis based on product categories can suggest target areas.

Decisions regarding restocking based on its dependency on time.

Mitigation

Fixing the inventory record inaccuracy can generate additional 4 to 8% sales. It can be done manually. However, analytical methods such as HMM and Bayesian methods can also be implemented as more cost effective and flexible alternatives.