

# Inventory Management Best Practices for High Velocity Selling

## Guide



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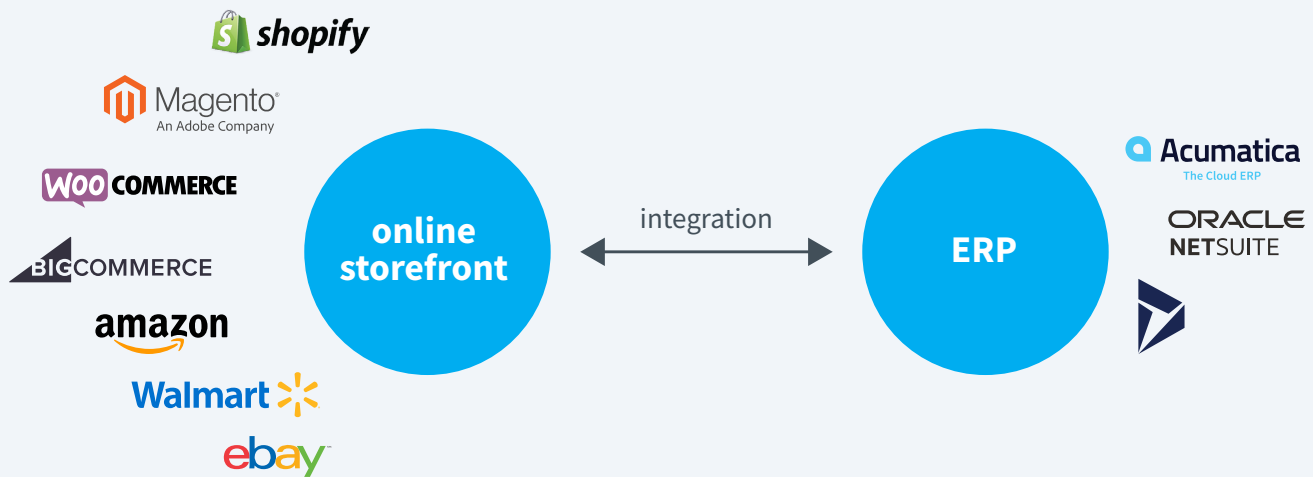
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## The risk of overselling with fast-selling products

Overselling happens when your products sell so quickly that you inadvertently keep selling even when you don't have enough inventory to fulfill additional orders.



*Integration between ERP and online storefront for inventory management*

At Celigo, we see that most of our customers use a central ERP system to manage their inventory and ecommerce operations. For example, when inventory is received at a fulfillment location, the ERP system will update inventory levels across all online storefronts. From there, inventory will be deducted from the online storefront with every sale. The same will happen on the ERP system with every fulfillment. Ideally, inventory levels across your ERP and storefronts should match at any given time point. However, you may need to adjust your flows for fast-selling items. If hundreds of orders are flowing in simultaneously, sales may be happening faster than the inventory levels being updated within the ERP.

As your inventory quantity continues being deducted on the storefront, processing fulfillments may get delayed, leaving a higher inventory count on the ERP side than what is actually available. Now the risk is, if you are syncing inventory levels too frequently from your ERP to your storefront, the available inventory in your storefront will be overwritten with incorrect quantities. As a result, your customers will continue to see the product as available and be able to make purchases. Once your inventory levels are updated in the ERP, you will find out that you actually don't have enough inventory to fulfill the sales orders. The end result is having to cancel customer orders.

For ecommerce merchants with fast-selling items, having accurate inventory in real-time in your storefront is critical if you want to avoid overselling products to customers. Overselling results not only in poor customer satisfaction due to canceled orders, but also it increases operational burden when you have to process all those additional cancellations.



## Best practices for managing inventory levels of high demand products

At Celigo, over the years, we have helped thousands of customers automate their ecommerce business processes. Based on our learnings, here are some best practices on how to handle fast-selling inventory.

For the rest of this guide, we are running with the assumption that you are leveraging an ERP system to centrally manage your inventory and use Celigo's integrator.io iPaaS and/or pre-built ecommerce integrations to connect your ecommerce storefront to your ERP.

With Celigo's integration platform, you can customize your flows or build new flows from scratch to match your specific business needs.

1

### **Export inventory less frequently from ERP**

Inventory levels in an ecommerce storefront are typically updated in real-time. For example, Shopify deducts inventory in real-time as items are sold.

In this scenario, updating inventory levels on the ecommerce storefront less frequently will help avoid overselling. One solution can be to update the inventory within the store only when new inventory is received in your ERP.

2

### **Use a manual trigger to release new products for sale**

Some businesses may release new products for sale at any time of the day. In order to prevent delays in sales, they may be syncing inventory between their ecommerce stores and ERP systems every hour. We recommend having a schedule that runs the flow during off peak times when the bulk of the orders are not in the process of importing. If immediate action is needed to release a product within an hour, you may find it helpful to use a manual trigger to push inventory on an adhoc basis. In this way, you can greatly reduce the risk of overselling.

3

### **Split inventory into multiple locations for multi-channel sales**

When selling through multiple channels such as ecommerce storefronts, marketplaces, or even phone orders, we recommend syncing inventory as often as possible across all those channels. However, this might not always work well if you have fast-selling items across the different sales channels.

Let's walk through an example scenario in which you have only one location to store inventory in your ERP and that inventory is being sold through two ecommerce stores. When inventory sells in one store, you will need to sync the updated inventory to the other store as quickly as possible so you don't oversell. If you have inventory in separate locations and each store is fulfilled from their own locations, then it would be sufficient to update the inventory only when new inventory is received in your ERP. In this scenario, each store can have its separate schedule for receiving updates.

To take this a level further, you can build custom flows with built-in logic that compares current online store inventory quantity to ERP inventory quantity, and determine when to make inventory updates based on that.

## 4

### **Use safety stock**

Safety stock is stock set aside to fulfill orders that would normally be unfulfillable unless you calculated your inventory levels incorrectly and oversold, or there was a disruption in your supply chain and there is a delay in incoming inventory. While this is definitely a good solution to avoid overselling for many ecommerce businesses, it is not such an effective solution for fast moving items.

For fast-selling items, you would need to assign a larger quantity of safety stock compared to other items. The challenge is that many businesses don't have that much extra stock to set aside. If they allocate too much safety stock, they may end up with overstock. We recommend using safety stock only for regular sales volumes.

## 5

### **Offer backordering**

Backordering allows your customers to purchase products that are out of stock. In this case, purchased items would be fulfilled when inventory is back in stock.

Offering backorders mitigates the issue of overselling and is ideal for niche products. If similar products are not available through other sellers, consumers may be willing to wait for backordered items. However, this would not work for limited quantity, limited edition products that you don't plan to restock.



## Conclusion

At the end, what works best for your business will change based on how many sales channels you have, how many fulfillment locations you have, how fast your items are selling, and how frequently you receive inventory. The good thing is that on Celigo's integration platform, you can customize your existing flows and configure your settings to match your specific business processes whether you are using one of our pre-built integration apps for connecting popular ERPs to Shopify, Amazon, Magento, BigCommerce, Walmart, Ebay or WooCommerce, or you built your own custom integrations.

If you would like to learn more about our solutions, contact us through this form or email us at info@celigo.com. To learn more about our out of the box integration apps and ecommerce solutions, visit Celigo for Ecommerce.



*Celigo's iPaaS: Connect Ecommerce applications and automate business processes*



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