

holiday post-mortem tips for inventory management

FOLLOW THE #1 RULE

TYPICALLY THE TOP 20-50 PROBLEM ITEMS WILL ACCOUNT FOR 70-80% OF THE WHOLE. MINDING THE 80/20 RULE WILL GIVE YOU A THOROUGH UNDERSTANDING OF THE TOP PROBLEMS IN ANY AREA AND HELP YOU FOCUS ON THE MOST IMPORTANT ISSUES THAT NEED ATTENTION.

LOOK AROUND AND DOWN

DON'T LIMIT YOUR ANALYSIS TO INVENTORY METRICS. LOOK AT ALL THE KEY AREAS OF YOUR BUSINESS THAT AFFECT CUSTOMERS, SALES, AND PROFITS, INCLUDING MARKETING AND OPERATIONS.

TAKE GOOD NOTES

AT YEAR-END, IT IS IMPOSSIBLE TO REMEMBER ALL THE ACTIONS AND EVENTS THAT OCCURRED THROUGH THE YEAR. SET UP DAILY PROCESSES WHICH CAPTURE THE DATA NECESSARY THROUGHOUT THE YEAR TO SUPPORT END-OF-YEAR ANALYSIS.

1 Backorders. Identify and analyze your top 20-50 backordered items from peak season. Focus on units instead of revenue to identify the number of customers affected and the resulting operating expense. Research each of the items to understand the root cause of each backorder. Consider forecast error, poor communication between marketing and inventory, vendor delivery delays, and product quality. Specifically seek to understand which of the backorders could have reasonably been avoided through tactical process changes and put those changes in place for next year.

2 Overstocks. Evaluate the original forecast demand and buying decisions for your top 20-50 overstock items at year end. Overstocks have significant impact on inventory turnover, gross margin, and profit, so focus your efforts on items with high inventory cost. As you research each item, consider reasonable forecast errors, bad buying decisions, late changes in marketing plans, poor communication, or vendor over-shipment. Pay attention to timing of decisions within the holiday season. Early identification of the underlying factors provides more opportunity for corrective actions to minimize overstocks.

3 Vendors. Identify vendors meriting future business by evaluating your purchases, sales, and profits by vendor. Take the time to review delivery and product quality performance as well as sales and profits.

4 Channels. Improve future marketing and forecasting by conducting a sales comparison of the top 20-50 performing products with a catalog source code versus those with an ecommerce source code. Understand where and why differences between the channels exist. Frequently, differences in sales performance are explained by channel-specific marketing decisions. Gaining better understanding now will improve future forecasting and merchandise planning.

5 Communications. With peak season behind you, do an honest assessment of cross-department communications, including marketing, merchandising, inventory and operations. Identify if there were specific breakdowns between departments that affected sales, customer service, or productivity. Learn the reasons issues arose and determine corrective actions for next year.