



Maximizing Inventory in the Face of Supply Chain Disruptions



A perfect storm is hitting the world of retail supply chains. Labor shortages in logistics and warehousing, overcapacity on shipping lines, container shortages, factory shutdowns at overseas suppliers, congestion at international and domestic ports, increased product demand, inclement weather events ... the list goes on.

For wholesalers and retailers that rely on overseas shipments, most of these factors are completely beyond their control – unless of course they have the deep pockets of “big” retailers like a Home Depot, Walmart or Ikea that can charter their own ships. Unfortunately, most retailers fall into the “I can’t charter my own vessel” category and are essentially passengers at this point, waiting and hoping that their goods get produced, shipped and stocked in time for the holidays or other business deadlines.

This begs the question ... what are the majority of retailers supposed to do?





A New Mindset

While you can't control the supply chain disruption, you can control the inventory that finally makes its way into your warehouse.

Now you might be thinking, "We always have extra stock at the end of the season that we have to mark down anyway."

Normally, this would make sense ... if there were no supply chain disruptions and shortages. However, that's not the current market environment so you need to evolve your line of thinking. The truth of the matter is you can no longer afford to waste your stock.

You must maximize every single piece of inventory in order to reduce lost sales due to stockouts. This will require you to balance and move your inventory across your fulfillment network to where it's needed most. The most effective way to accomplish this is with an order management system (OMS) with distributed order management functionality.

Here are three key capabilities that an order management system with distributed order management functionality provides to help you maximize your inventory.

1. Inventory Visibility

It is essential that you can see your inventory across your entire fulfillment network (distribution centers and stores). If your inventory data is scattered across siloed systems, then you don't truly have the information you need to make good business decisions.

An order management system with distributed order management will connect and correlate inventory data across your fulfillment nodes to provide a single enterprise view of stock in real time. By exposing stock availability in every fulfillment node and achieving inventory visibility, you are able to move on to the next step in maximizing your inventory — order routing.

2. Order Routing

Inventory visibility and order routing work in tandem because once you have an accurate view of your inventory you can make smarter fulfillment choices by sourcing inventory from the most efficient location based on business rules.

Historically, e-commerce orders were fulfilled from a distribution center (DC). If the DC was out of stock, the order could not be fulfilled. With order routing, the OMS finds a fulfillment node closest to the customer (including a store) that has the ordered items in stock. If the store does not have the stock, it looks for another location that does.

Through this distributed order management functionality in the OMS, customer demand can be met from multiple inventory locations, not just a DC, satisfying e-commerce demand if inventory is available and reducing lost sales (and eventually markdowns).

3. Returns Management

The final critical element in maximizing your inventory is getting returned items — deemed to be suitable for resale — back on the shelves and in your virtual store. This way, resalable returned items are not left in some “returns purgatory” for an extended period of time in the back of the shop or warehouse, nor are they sold at a discount at the end of the season.

A way to do this would be through an order management system that can process cross-channel returns (bought online, returned to store) so that they may be placed back into virtual inventory instantaneously (visible to online shoppers) and placed back on the store shelf (for in-store shoppers).



Next Steps

While you can't control how much inventory you will receive nor when it will arrive, you can control how to extract every ounce of profit from it. Reducing stockouts, eliminating lost sales and satisfying customer demand were always important to a retailer's profitability, but now due to external market forces, these are top priorities.

With the help of technology like an order management system with distributed order management, along with some fine tuning and continuous improvement, retailers can reduce wasted inventory and improve gross margins.

Speak to a OMS and retail expert at Tecsys

