



Smart Inventory Management is survival tomorrow powered by intelligent inventory choices today.

It's an innovative way to control your costs using data and powerful software to fill increasing demand with less inventory. Inventory control procedures work to improve efficiencies while automated technology syncs your inventory across channels, maximizing profits.

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Do You Have One of These Inventory Management Problems?

You're here because you have a problem to solve. And it probably looks something like this:

1 | You're Scrambling Because You Need Better Workflows

You can't keep track of anything anymore because you're reinventing the wheel everyday for the same processes you do over and over again. You don't have time stop and get organized.

2 | Endless Inefficiencies Are Killing You

Those little holes you thought you'd get around to patching up in your supply chain, warehouse slotting, and fulfillment process have grown to the point that you're now bleeding money, and don't know where to begin to fix them.

3 | You Have No Idea How Much Inventory You Have (or Don't Have)

You're purchasing excess inventory as a cushion to prevent out-of-stocks because you're getting tired of dealing with angry customers that place orders you can't fulfill.

4 | You Live in Constant Fear of Out-Of-Stocks

When you close your eyes, you're still mentally rearranging your stock across marketplaces in an ever-ending game of inventory Tetris.

5 | Incompatible Software Is Creating Extra Work You

Your WMS doesn't talk to your POS and your POS doesn't talk to your shipping software, so you're completing and repeating the same tasks across so many systems. You can no longer remember if you've marked an order shipped twice or not at all.

6 | Your Business Has Outgrown Your Old Inventory App

Your current inventory solution feels like that fat guy in a little coat because your business has grown, but your system still has the same outdated capabilities.



Sound familiar? If so you're not dealing with an inventory management problem; you're dealing with a failing inventory management system.

Smart Inventory Management Is The Solution

Smart Inventory Management (SIM) helps you control costs and fuels growth using data and software to help you fulfill increasing customer demand with the least amount of inventory. Data gives you greater visibility allowing you to forecast demand and improve efficiencies, while automated technology syncs your inventory across multiple sales channels allowing you to maximize sales.

**When you solve an inventory problem, you save a buck.
When you implement Smart Inventory Management, you invest in the potential of your business.**

SkuVault is staying ahead of change to meet your needs in the future. Don't limit your capabilities with outdated systems.

[See How it Works](#)



1 | The Principles Behind Smart Inventory Management

"To be a successful eCommerce entrepreneur in 2017 and beyond requires a lot of things. It requires grit, as the barriers to entry and competition have increased. It requires being able to quickly learn a disparate number of skills as you'll be wearing a lot of hats early-on. And it requires being able to bring something unique and new to the marketplace. Sadly, gone are the days where simply reselling products was a viable path to sustainable success. Today you need to offer a unique product or a unique spin on a current product to succeed."

Andrew Youderian, Founder of [eCommerceFuel](#)



It Starts with the End for Some

Companies waiting for the dust to settle on recent changes in technology and the market will find themselves repeatedly frustrated by even newer developments before they eventually vanish. It's no longer acceptable to return to 'business as usual.'

And the Beginning for you

Because technology now fuels how people shop, it is inseparable from business. So, any business that wants to survive, will be forced to adapt at a faster and faster pace.

MOORE'S LAW

states that number of transistors in an integrated circuit HAS approximately doubled every two years.

EMPHEMERALIZATION

the principle that technology will increasingly be able to do more and more with less and less.

Meaning, if you're in retail, eCommerce, wholesale, distribution, or manufacturing, the way you operate is about to change, and then change again.

Smart Inventory Management is based on the idea that we're in a permanent state of accelerating change. A lean inventory is key to avoiding the trap tying up capital at the expense of unforeseen, and fleeting opportunities. It's a high tool that allows you to stop feeling perpetually surprised and exhausted and actually anticipate change so you can use it to your advantage.

How to Start Using Smart Inventory Management to Tap Your Potential

The first thing that you need to do to play a pivotal role in the survival and growth of your business is to change the way you think. It's no longer enough to keep your head above water.

You have to limber up and start thinking ahead because without foresight and flexibility, you not only risk falling behind, you risk becoming obsolete.

This page is a guide to help you do just that.

Follow along to learn the concepts you need to implement the smartest inventory control procedures. By the end, you'll be able to stop wasting time patching the holes of your current system and start enjoying the advantages intelligent decision making powered by data and automation.





2 | Why Smart Inventory Management is Important

Inventory Costs Money When You Buy It

Sound familiar? If so you're not dealing with an inventory management problem; you're dealing with a failing inventory management system.

And When You Don't Buy The Right Amount...

If you're tying up funds in excess inventory as a safety net to meet unpredictable customer demand, you're doing it wrong. The same is true if you're unable to meet demand due to shortage in your inventory.

INVENTORY

noun | in-ven-to-ry |

1. goods kept in stock by merchants to fulfill demand
2. raw materials kept by manufacturers in the production of goods

SMART INVENTORY MANAGEMENT

noun | in-ven-to-ry man-age-ment

1. The strategic control stock from procurement to fulfillment with the goal of maintaining optimal levels to meet demand
2. The strategic use of insights gathered through data and intelligent technology to automate the flow of inventory and eliminate inefficiencies

The price for both of these is called **opportunity cost**

It's the potential your business fails to reach due to unavailable funds and lost sales that keep you from being able to change course quickly and act on opportunities in today's ever-changing markets.

Then, Inventory Keeps Costing Money Until You Sell It

But there's a less visible issue with carrying too much inventory: There are other costs associated with inventory in addition to the actual price your business has paid for the goods it has on hand. The costs associated with inventory are called carrying cost.

CARRYING COST

Also known as carry cost or holding cost, this is how much it costs your business over time to hold inventory.

These costs include:

- Capital you've got tied up in that inventory
- Opportunity costs
- Taxes
- Employee costs
- The amount that it costs you to insure it
- The cost of storing it in your warehouse
- Utility costs
- The money lost to its depreciation value as it becomes obsolete
- Other incidental costs



This cost is calculated as a percentage of the inventory value and can be used to determine the potential for profit.

So, if you're living on the prayer of blind procurement, are unaware of your inventory turnover ratio, and even losing track of its location once inside of your warehouse, you're losing money.

The Less Inventory You Have, The More Money You Have

Smart inventory Management is important because it frees up funds for your business to unlock its full potential while still meeting customer demand. With the right tools, you can forecast demand and make better decisions that lead to faster inventory turnover and higher profit margins.

READ MORE: [How Reducing Your Inventory Actually Helps You Make More Money](#)



3 | Inventory Costing

What Is Inventory Costing?

Let's start with what inventory costing is and why it matters:

It's about taxes.

In the U.S., you have to figure out how much taxable income you have each tax year so you can report it to the IRS.

The cost of goods sold and your inventory are part of that equation.

Who Needs to Worry About Inventory Costing?

Businesses that purchase and/or create goods to sell. Basically, if you sell inventory, you need to figure out how much it's worth.

EXCESS SUPPLY

noun | ex-cess sup-ply

having more inventory than demand

SHORTAGE

noun | short-age

having more demand than inventory

OPPORTUNITY COST

noun | op-por-tu-ni-ty cost

1. loss, often monetary, caused by an unfavorable decision

2. missing out on gains due to passing up on or being able to make an investment

INVENTORY TURNOVER

noun | in-ven-to-ry man-age-ment turn-over

the rate at which inventory is sold and replaced over a period of time

INVENTORY COSTING

noun | in-ven-to-ry cost-ing

any method that determines the dollar value of your inventory and cost of goods for the purpose of taxes



It's important to get it right. And whatever method you choose, you must be able to:

- Easily show your income and expenses
- Be able to prove these claims in your records
- Use it consistently year-over-year

To figure out the value, you need a way to identify the items in your inventory and you need to make a decision about how you'll assign value to those items. The dollar value of your inventory can vary greatly depending on which inventory costing method you use.

Disclaimer:

Below is a list of the most common methods of inventory costing, but keep in mind that this is very generalized overview for the purpose of introducing you to the topic. The IRS doesn't play when it comes to following its prescribed procedures, so we recommend reviewing [this publication by the IRS](#) and talking to an accountant when you're ready to get started.

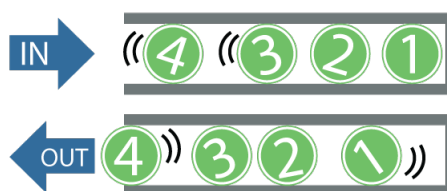
FIFO

FIFO, or first in, first out, method means the items purchased first are used or sold first. Therefore the remaining stock is the newest items.



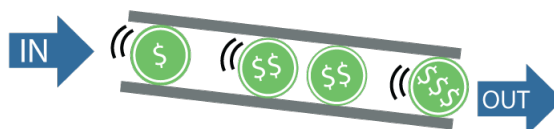
LIFO

LIFO, or last in, first out, method means the items purchased last are sold first. Therefore the remaining stock is the oldest items.



HIFO

HIFO, or highest in, first out, method means the most expensive cost of purchase is to be used first.



Weighted Average

The cost of new inventory purchases are combined into existing inventory costs to produce a new weighted average. As more inventory is purchased, the weighted average will continuously need to be adjusted.

*BONUS: Specific Identification Method

The specific identification method is unlike FIFO, LIFO, AND HIFO because it's used in unique situations where items are of extreme value, like cars or art pieces. So, if you're a luxury car dealer, this is your winning ticket. If not, consider the other options.

Specific identification method individually tracks the cost of each item and charges specific costs per item to the cost of goods sold when you sell specific items to which that cost has been assigned. It also requires an immense amount of data tracking and serialization.



SkuVault is Smart Inventory Management

We're staying ahead of change to meet your needs in the future. Don't limit your capabilities with outdated systems.

See how it Works



4 | Sourcing

So at this point, you might be thinking, "Okay, I understand there's a lot of costs involved with inventory, but where do I get it from?"

And you're exactly right.

There are **a lot of costs** involved, so it's important to selectively choose suppliers for the goods and/or services you use for inventory.

The act of choosing suppliers is called sourcing, which is under a greater umbrella term called the **procurement process**. Sourcing and procurement are often used interchangeably, so don't worry if the definitions seem to blur in your research.

Sourcing involves a number of tasks including:

- **Establishing payment terms**
- **Creating a well-written contract**
- **Choosing the best form of delivery with suppliers**

It's all about creating and sustaining a good relationship with suppliers in order for the next steps in your business to succeed.

READ MORE: [Everything You Need to Know About Sourcing](#)

VENDOR-MANAGED INVENTORY

noun | ven-dor man-aged in-ven-to-ry

a selection of business models used to help the buyer of a product provide specific information to a supplier (vendor) of that product, the supplier becomes responsible for maintaining a level of inventory of the agreed upon material

SOURCING

noun

a step in the procurement process to find adequate suppliers for obtaining goods and services

OUTSOURCING

verb | out-source

an alternative to sourcing in which goods or services are obtained from an outside or foreign supplier



Since we're talking about the beginning stages of a product, it's worth mentioning the product life cycle. Yes, even products have growing pains and maybe even a few awkward years.

Before sourcing can even occur, a product needs to be formulated as an idea. This is the first stage in the product life cycle called the introduction stage. In the introduction stage, a product may have little to no marketplace competition.

After this, the following stages are where growing pains can come to play.

- **Growth stage:** Once the product has gained traction, production levels and sales increase. This brings on the potential for increased competition, bigger levels of promotion, and the possibility of declining gross margins.
- **Maturity stage:** This is where your product must become defensive. Competition becomes more fierce, so you must lower your prices to stay in business. Be strategic in your marketing to make your product stand out the most it ever has.
- **Decline stage:** By this point your product has been overcome by the competition and has reached its highest point of demand. You can either let the product slowly decline, or add new features in an effort to revitalize sales.

Why Should You Care?

The product life cycle involves a lot more than just coming up with a cool product idea.

The success of that product combines a ton of market research, advertising strategies, and pricing strategies. You gotta know when to flip the script on your message or bow out completely in order to keep total sales of your business alive.

Oh, and this whole idea of Smart Inventory Management? It all starts at the initial product idea.

READ MORE: [How to Source The Best Private Label Manufacturer](#)



5 | Forecasting Inventory

Remember how we said Smart Inventory Management is all about using data and powerful software to fill increasing demand? Well, data and good software will help you make better and more efficient forecasting decisions.

Forecasting inventory is the practice of using things like past sales data, average lead times, and demand or sales trends to better forecast your next reorder point.



Why is it important?

When you first start a business you're most likely purchasing goods on whatever capital you have and pure luck. But once errors like overstocks and missing goods start to arise, you soon realize that flipping a coin and hoping for the right outcome is not actually a good strategy.

You must have data in place in order to make better purchasing decisions in the future.

Smart inventory management provides data history and other forecasting capabilities that allow you to stay nimble in the event of sudden inventory changes.

THE FORECASTING PROCESS

1

Decide on the purpose of the forecast with available historical demand data.

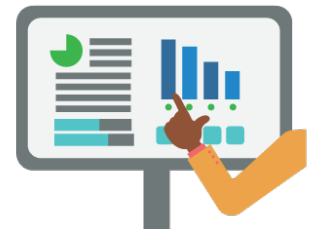


2

Collect relevant historical data that can be used for forecasting

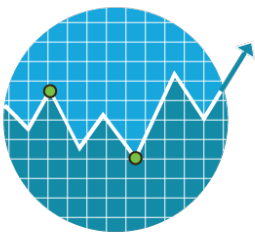
3

Plot the data and identify patterns.



4

Select a forecasting model that best fits the data.



5

Double check forecast accuracy with one, or a few, measures.



Forecasting Methods

To ensure the most accurate forecast possible, there are a few methods to consider. These are critical to understand and consider before making forecasting decisions with big data. When you understand the actual value of future sales, your carrying costs and profits will be safer down the line.

- **Quantitative Forecasting:** use past sales data to help better predict future demand for goods. The more data, the more accurate the forecast will be (even if you have to go back 10 years).

- **Qualitative Forecasting:** predict demand based on market forces, potential demand, and economic demand. As you can see, these factors are not as reliable as concrete data, so if you want to gain 100% accuracy stick to quantitative forecasting.

The Bullwhip Effect - What It Is and Why You Need to Know About It

The Bullwhip Effect is this strange occurrence when a shift in customer demand forces a company to move further up the supply chain as a result of increasing swings in inventory.

Why does this matter to you?

Because if you don't catch errors early on, the bullwhip effect takes the shape of potential excess supply, missed production schedules, or inefficient shipping.

This is why it's crucial to forecast your inventory with as much past historical data as possible.

Work smarter, not harder.

Data Reports Are Important, People

Not to beat a dead horse here, but accurate reports are important. Without them, the success of your business is a shot in the dark.

With Smart Inventory Management features, like SkuVault's [advanced reporting](#), data is automatically pulled from sales to produce a fully customizable and thorough data report.

You no longer have to wonder how much a certain brand sold or if the yellow bikes sell better than the blue bikes.

With advanced reports you can make better use of your warehouse space and overall time.

Learn more ways to keep your inventory lean and precise using the [Reorder Point Formula](#) and [Safety Stock Formula](#).

Advanced Reporting

noun | ad-vanced re-ported

a SIM feature that pulls historical data into customized reports for future insights





6 | Inventory Management Software

Everything we've talked about up to this point works best when implemented into and with an inventory management software.

Inventory management software is a computer-based, and sometimes cloud-based, software used to track functions of your inventory, such as inventory levels, orders, sales, and deliveries. The principle functions of inventory management software are picking, packing, receiving, and managing locations, with a few more listed below.

Your entire product life cycle can be tracked using this software.

Pretty powerful, right?

To get ahead of human error, outdated practices, and lost profits, you must invest in the proper inventory management software.

It provides the bread and butter functions to keep your head above water so that you can eventually let the software do the work for you.

Bread and butter features include (but are not limited to):

- **Picklists.** In the first step of the order fulfillment process, items are picked from a previously created picklist. **BENEFIT:** Picklists eliminate human error and are completely customizable. You have the ability to create any order of picking routes best suited to your business.

- **Receiving Orders.** Orders are received directly from a purchase order. **BENEFIT:** Purchase order numbers are checked against the original purchase order on the shipment. Again, this is another procedure to eliminate human error and check for discrepancies.

- **Barcode Tracking.** Barcodes are placed on shelves and inventory to track the locations of inventory. **BENEFIT:** With an efficient mode of tracking, inventory is placed literally anywhere in a warehouse and can be found with the input of a few numbers into the inventory management software. When you get a new shipment in, simply scan the location barcode label of the shelf and scan the product, and then place the item anywhere.

- **Cycle Counting.** In simple terms, cycle counting is when inventory is counted in a specific location on a specific day or days. **BENEFIT:** Although a manual process, cycle counting is still considered part of smart inventory management because you're continuously checking for differences between the quantities you should have for sale online and the quantities you physically have in the warehouse. Think of it as a way to kick it old school and check your inventory levels if the software ever crashes.

***Pro tip:** The more cycle counts performed each year, the more accurate the inventory.



So what's the big idea

Inventory management software can sometimes come with a hefty price tag, but the time and money you save with automated processes far outweighs the potential money lost from manual processes. Don't wait until it's too late to turn procedures around and keep your business in business.

7| Warehouse Management System



If you're looking for a software with all the qualities of inventory management software and then some, a warehouse management system is the answer.

A warehouse management system is essential for distribution centers to run an automated operation and keep track of inventory levels. Items are picked, packed, and also shipped with a warehouse management system. If an item isn't available, real-time quantity syncs are set in place, as well as channel listing integration capabilities.

Let's get back to that a bit later.

What happens when you combine an inventory management software with a warehouse management system?

Great things. In this case, two is definitely better than one.

And not to mention, the huge benefit of less inventory. With smart inventory management software and a smart warehouse management system, you have a higher controlled amount of goods going in and coming out of your inventory.

With less inventory you're meeting the demands of your consumers while staying lean in production schedules and overall inventory levels.

The greatest strength of a warehouse management system over inventory software alone, however, is its ability to integrate with other softwares.

Look for a warehouse management system that has an open API to integrate with other softwares. If you're selling on multiple channels or prefer to ship with multiple carriers, a warehouse management system acts as the connection between all of those services.

Warehouse processes become streamlined and fulfillment times increase as a result of tying all the components together into one interface.

Download Your FREE Warehouse Management System KPI Reference Guide



Will my level of customer service become compromised as a result?

The average person expects customer service to consist of 'I want my product when I want it,' with a dash of courtesy and cooperation. And they're not wrong. But a problem arises when too much inventory is ordered to keep customers satisfied.

Not only does excess inventory defeat the motto of smart inventory management, but it also comes with a price tag that compromises the level of customer service.

Business owners who order large stocks of inventory to meet customer demand have to decide between paying for the cost of service or the quality of customer service.

Basically, you have to find a middle ground between maintaining customer service and keeping costs down. A primary objective of supply chain management is to provide great customer service, after all. Set expectations for customers of what and what not to expect from the beginning so as not to lose them later.

Features of a Warehouse Management System

- **Product Locations.** A warehouse management system has the ability to track product locations in multiple warehouses, and in some cases, multiple stores.
- **Kit Creation.** [Product kitting](#), or bundles, is probably a familiar term in the world of manufacturing. Kit creation is the assembly of individual items into one kit. They're easily tracked in a warehouse management system under one unique SKU that can be tracked and inventoried as a single unit.
- **Quantity Buffers.** [Buffers](#) are another unique feature to a warehouse management system that places holds to inventory on specific online marketplace channels. For example, if you have 200 pairs of shoes in your warehouse, but you only want to list 100 on Amazon, set the buffer to only display 100 in stock. As the stock lowers, this creates a sense of urgency for customers and encourages them to buy your product faster.
- **Product Statuses.** [Product statuses](#) are an example of the detailed tracking that goes into making a warehouse management system. Statuses allow the user to write unique descriptions, details or other helpful notes in an effort to better categorize inventory.
- **User Accountability.** Not every function of a warehouse management system is technical. The [user accountability](#) feature tracks each employee's movements, from picking, packing, and receiving, down to quality control. It's a way to hold someone accountable for missing or damaged goods.
- **API.** The API, or application programming interface, is the feature that allows other softwares to integrate with a warehouse management system. If you're selling on Amazon, eBay, and a brick-and-mortar store, simply use the API for your channel management software and stream all product locations and levels through the warehouse management system. This prevents oversells, undersells, and mis-shipments.



READ MORE: [Warehouse Management System vs. Inventory Management - What's the best fit for you?](#)



We've come to the end of this smart inventory management page. Now the decision is up to you. Are you going to stick to your current inventory management method, or are you going to take the necessary steps to upgrade your system and compete with the top sellers in your industry?

[Request A Demo](#)

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