Inventory Management

8 tips for an optimized POS inventory setup

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Introduction

How well do you know your inventory? Eyeballing your shelves is one of the most unreliable ways to manage inventory levels, and a surefire way to end up with either too much or too little inventory by the end of the season.

To really know how your inventory is performing, you need analytics. Store owners using Lightspeed Retail use data from their systems to better manage their inventory, and the results have been astounding. A recent analysis of customer sales demonstrated that, on average, Lightspeed Retail customers grow their business by 20 percent after their first year with their new POS (Point of Sale), far outpacing industry averages.

Analytics aren't as difficult as you might think. Your POS is already tracking a lot of this data already, you just need to capture it in a meaningful way. To get good data you need to set up your inventory management system so that it accurately reflects the types of inventory you manage and how it flows through your business.

Get deep insight on your inventory

Inventory setups are important because every store is unique. A generic inventory management system that can't be tailored to fit your business type, needs, and unique inventory mix won't be able to give you true insights into how your inventory is performing. When you set up your inventory correctly, you'll get the analytics you need. This ensures you get the right data on:

- Which merchandise categories are selling the fastest (and slowest) in your store.
- Which merchandise categories are more profitable than others.
- The total dollar value of your inventory.
- Merchandise costs, even if you purchased the same item from different vendors.

An accurate, well-structured inventory system brings other benefits, as well. It allows you to:

- Better manage inventory, by increasing turnover and reducing markdowns.
- Improve customer service, with the ability to quickly look up stock levels and product information.
- Better track your purchases as they go from order, to shipment, to received, to transfer (from warehouse-to-store or from store-to-store).
- Reduce the time spent creating and managing vendor POs (purchase orders).

Here are eight best practices on how you can get the best possible setup for your inventory, to get the analytics and data that will benefit you most.

Create an optimal hierarchy for your merchandise categories

Establishing a good hierarchy is a critical first step when first setting up your inventory management system. The hierarchy reflects how you think about your business, and when set up well, ensures that you get informative reports and data to help you make decisions about your business. Developing your own inventory hierarchy can be a daunting task, but you don't have to go it alone. SilverEdge clients have the added benefit of a customer service specialist to help guide and setup your inventory system.

Whenever possible, we recommend that you keep the same overarching hierarchy in your system for as long as possible, so it's important that you take the time to get it right from the start. This is important because it is difficult to compare data from time periods that have different hierarchies. To compare apples to apples, you need to have all your data structured in the same hierarchy over a period of time.

You can add sub-classes as your business grows. But you want to keep the top levels the same, as much as possible.

This is a good time to think about your future plans: will you be growing? How many stores do you hope to have? How many departments do you want to have? You don't want to get too far ahead of yourself, but you should try to think at least five years ahead as you map out your merchandise categories.

Merchandise hierarchies typically follow this structure:

- Department
  - Class
    - Sub-class

You don't need to include brand names as a category, as this will help you keep your hierarchy flexible, and Lightspeed already tracks that for you. You also don't need to break out by store, for the same reason.

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Create an optimal hierarchy for your merchandise categories

Retail consultant Paul Erickson recommends the "rule of ten" when building your hierarchy. That is, never put more than ten sub-categories under one single category. Your data insights will be far less valuable if you have too many sub-categories under one category.

Here are two examples of a merchandise hierarchy for a store selling men's and women's clothing. The first is a weak hierarchy, the second is optimal.

1.   Store: Dazed and Confuzed

Weak Hierarchy Example:

- Women's apparel
  - Pants
  - Skirts
  - Shirts
  - Sweaters
    - Long cowl neck
    - Cropped
    - Short sleeve
    - Long sleeve
  - Tanks
  - Socks
  - Shoes
  - Boots
  - Hats

Create an optimal hierarchy for your merchandise categories

1. ## Store: Smartly Dressed

Good Hierarchy Example:

- **Women's apparel**
  - Tops
    - Shirts
    - Sweaters
    - Tanks & Ts
  - Bottoms
    - Pants
    - Shorts
    - Skirts
  - Footwear
    - Socks
    - Shoes
    - Boots
  - Outerwear
    - Hats
    - Coats

At Dazed and Confuzed, buyers didn't realize that men's footwear were actually outperforming women's footwear, because they couldn't view all footwear as a single category.

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Create an optimal hierarchy for your merchandise categories

In addition, the sweater category was too specific at the Style level. They created a category called "long cowl neck" but when crew necks were more fashionable the following season, the category no longer fit.

At Smartly Dressed, buyers could quickly tell which departments did better than others. They could also easily handle any trends by creating categories that could capture any changes in fashion.

Transfer data from your old system to your new system

It goes without saying that historical data is valuable data — you need it to understand how your inventory is moving.

Whether you're converting from an old system to a new one, or taking data from spreadsheets, you should load as much of your old data as possible into your new POS for valuable reports, product data, and vendor information.

We know converting to a new system is more computer work that you don't have time for. That's why, here at SilverEdge, we offer to take care ot it for you. We're old hands at this - we're happy to do what we're good at, so you can do what you're good at.

If you prefer to do it yourself, you just need to create a properly formatted .CSV file from your old data that can be imported into the Lightspeed system.

Download product data directly from your vendors

Once your old data is loaded in (if you have any), it's time to start loading new inventory data for new purchases.

Lightspeed makes adding inventory faster and more accurate by keeping a centralized database of all items and vendors. You no longer have to type in product data for all your items — you just pull it up from Lightspeed's vendor catalogs and add it to your database. Downloading product data is better for your business for several reasons:

- It saves time
- It's more accurate
- It keeps all important vendor and product data in a single location

You can access vendor catalogs from three places in Lightspeed Retail:

- When searching for an item
- When adding a new item to your store system's database
- When creating a PO

Lightspeed makes thousands of vendor catalogs available to you. If one of your vendor's catalogs is not available, you can always send it to Lightspeed, and we'll upload it so you can access it from your system.

Download product data directly from your vendors

Lightspeed reduces time spent entering product information by allowing you to download product data directly from your vendors.
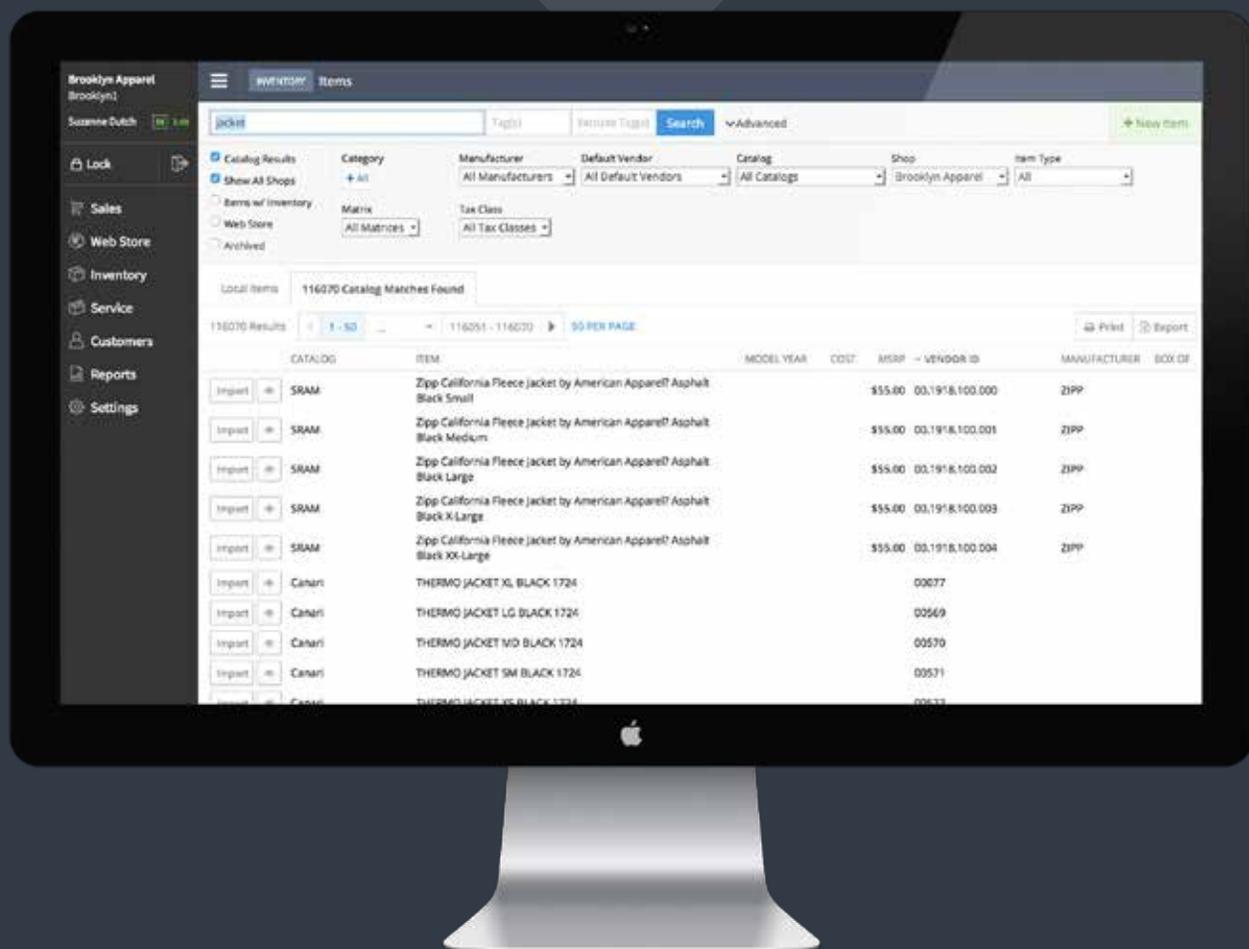
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Start with clean data

Completing an inventory count once you have all products set up in your system is an important best practice. When you count your inventory and match it exactly to what's in your system, then you know you've started with a clean slate and your numbers are fully reliable from the start.

The best practice for starting a new system is as follows:

1. Import all your inventory into your system with 0 quantity.
2. Conduct a complete physical inventory count. You can scan inventory directly into the system, or enter amounts manually.
3. Reconcile the data in your system.

If you are short, then this is a loss. If you are over, then errors are likely occurring in your PO management, shipments, or at the POS. Your new Lightspeed system should help you keep better track of all these.

Inventory is the heart of the Lightspeed point of sale.

Quickly set up multiple types of items

Lightspeed provides many time-saving features for creating different types of inventory items in your system.

1.   Matrices

Instantly generate all the variants you need for items that come in different sizes, colors, or other attributes with the Matrix feature. No more re-typing for every t-shirt that comes in eight different colors and six different sizes!
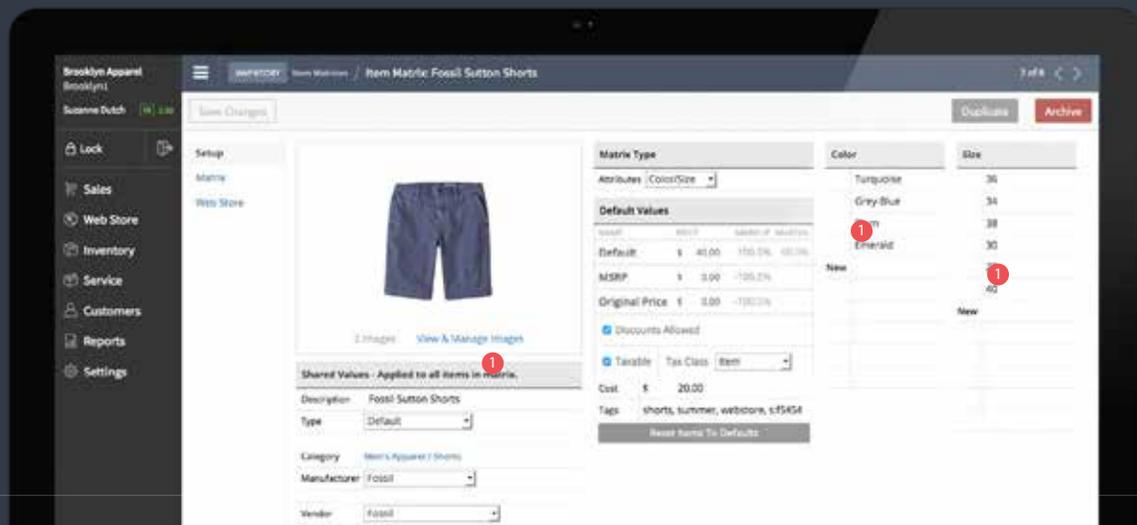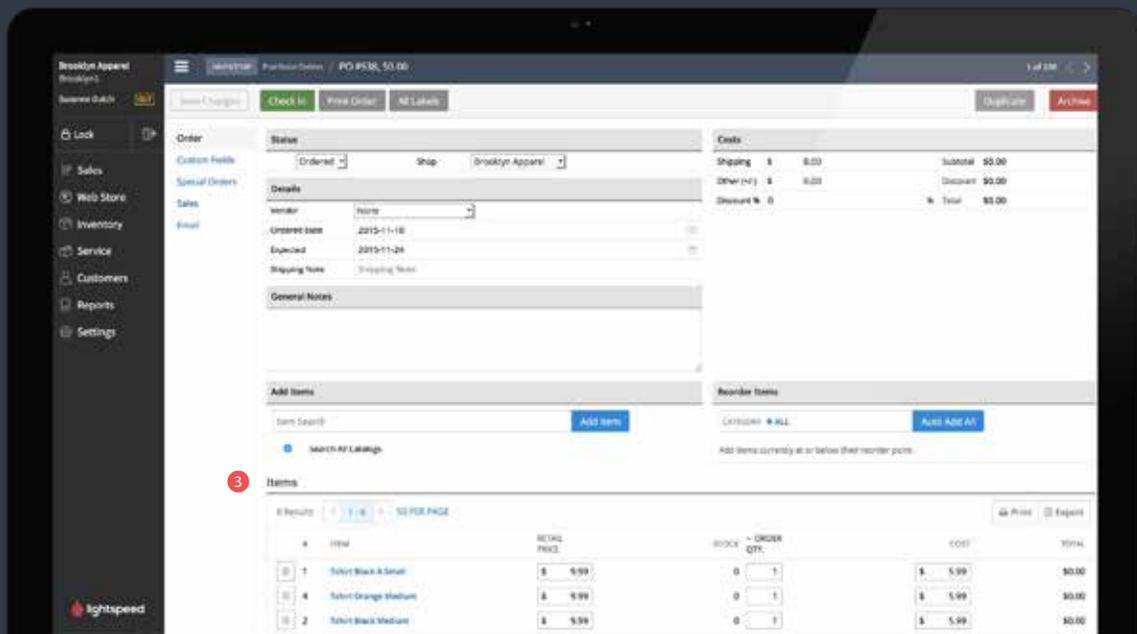

Quickly set up product variations with Lightspeed's matrix feature.

🔴 Create a "matrix" item, and enter all the product information in the given fields. You can then then enter the different sizes and colors (or other attributes).

Quickly set up multiple types of items
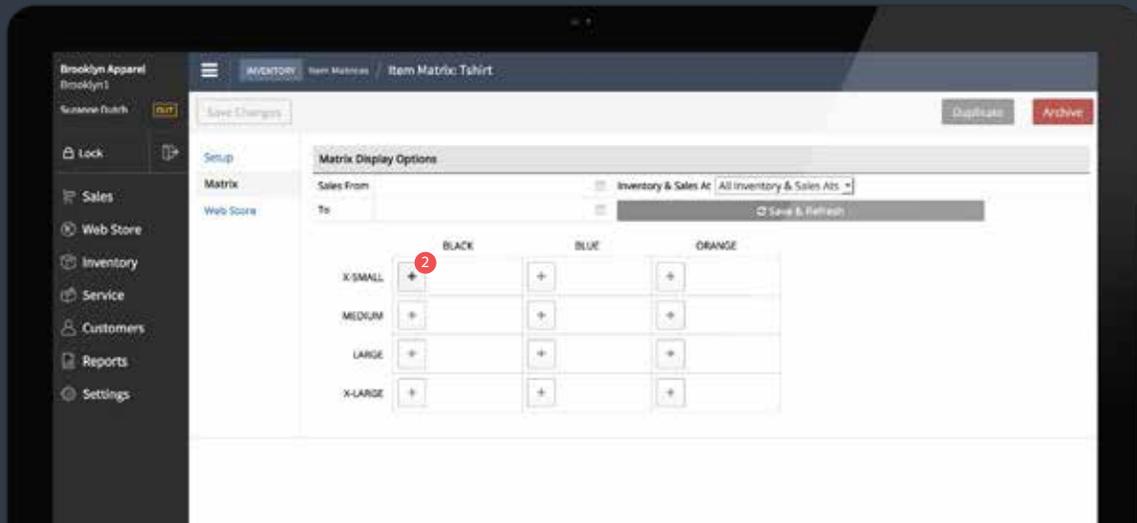
2 Click on the "plus" to create a new item in that size/color in your system.

3 Your items are now available to you for your purchase order.

Quickly set up multiple types of items

4.   Grouped items

Do you ever sell items grouped together, such as gift baskets or assembled components? Lightspeed Retail enables you to create a unique products for the grouped items, and automatically removes the individual items from your inventory.

5.   Serialized items

You can also generate and track serial numbers for your products, should you require them.

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Manage purchasing and returns from a single POS

Lightspeed makes purchasing a snap with many features for ordering inventory as well as tracking its status throughout its lifecycle. You'll always know whether an item is on order, received, or being returned to the vendor.

By managing all purchases in your POS, closely tied to your sales data, you can get powerful analysis on all your inventory items.

Forget about flipping back and forth between vendor spreadsheets and your POs. Lightspeed Retail makes it all available to you from one system.
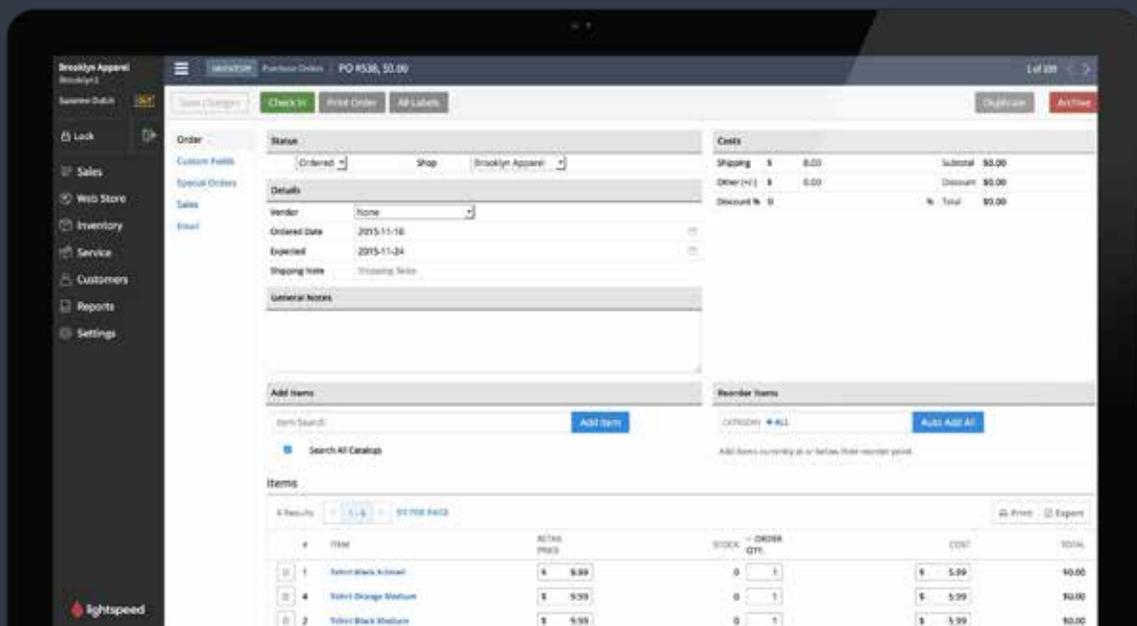
Create purchase orders right inside Lightspeed

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Manage purchasing and returns from a single POS
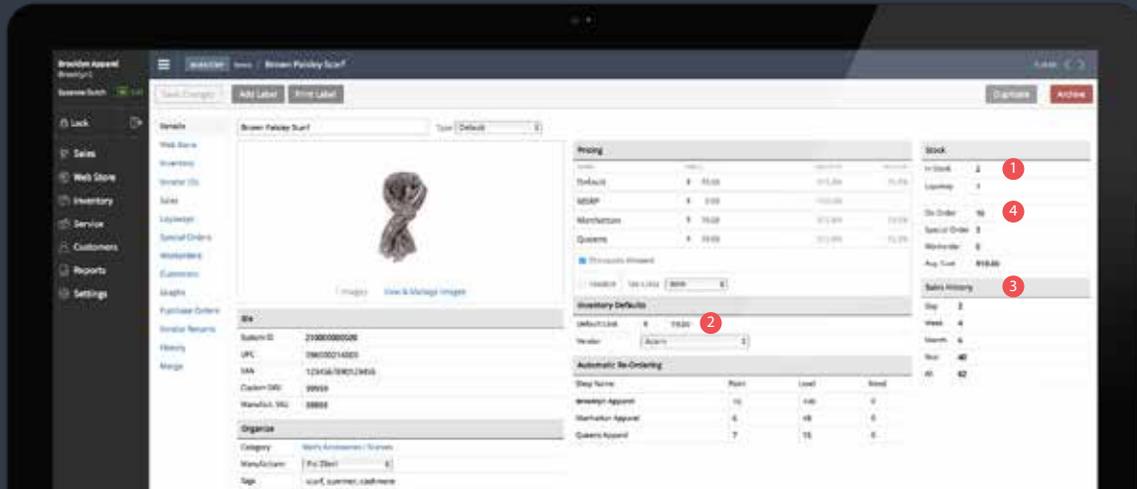
Lightspeed purchase order

When creating or reviewing a purchase order, Lightspeed shows you:

① Current inventory levels
② Cost per unit for every vendor
③ Historical sales
④ Open orders
⑤ What inventory is in transit

Lightspeed makes ordering inventory faster. You can speed up the ordering process with the ability to:

• Easily create purchase orders straight from your POS
• Create a purchase order and email it from the same screen
• Duplicate a purchase order with the click of a button
• Upload .CSV files from your vendor, and quickly generate purchase orders from this data
• Quickly manage vendor returns for damaged or excess merchandise

Set reorder points for all your inventory, for all your stores

Reorder points make your life a whole lot easier. With reorder points, every item in your store has a minimum threshold and your POS alerts you when you're running low.

You set the reorder point for every item — this is entered when you create a new item in your store database.

You can quickly look at a list of all the items in your store that have fallen below their reorder points by looking at the "Inventory Below Reorder Point."

You can then automatically generate all the POs you need for these items, by creating a Master Order and clicking on "Add By Reorder Points" button. A list of all reorder items automatically appears.
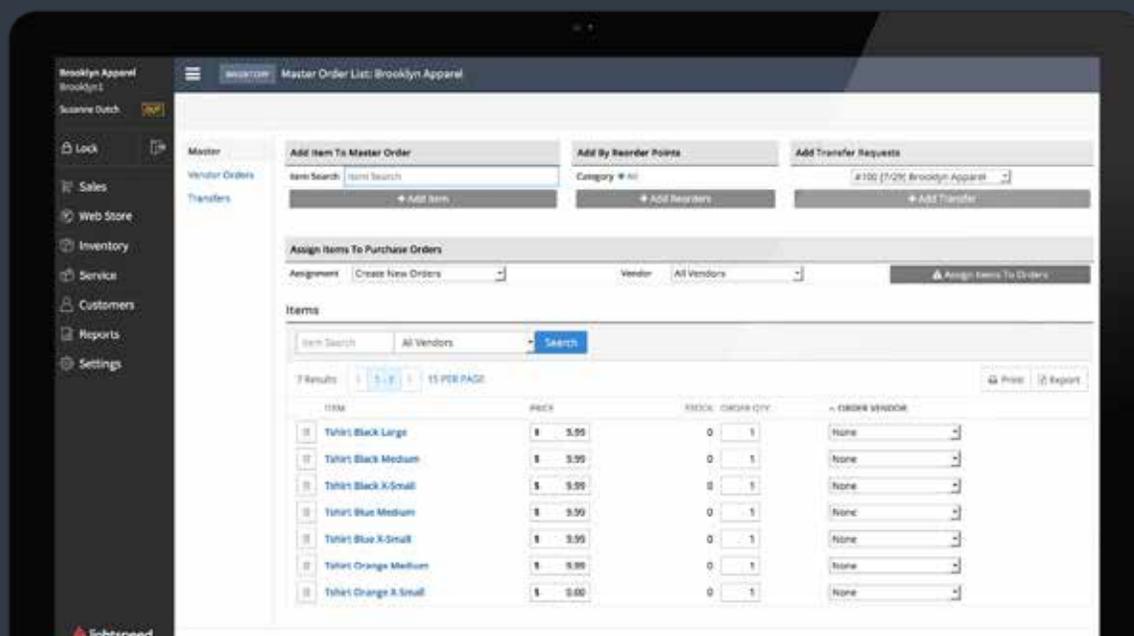

Lightspeed Master Order

Get proper support

A system is just one piece of the puzzle. In order for you to be truly successful with your new POS, you need resources that help you get the most out of it.

SilverEdge provides private, one-on-one sessions with a product expert to get you started. They'll help you get setup, walk you through the basics, and answer your questions as you get to know your new POS. They'll also go through the workflows with you, so you can get going right away.

A very comprehensive library of how-to videos that show you all the system's essentials, and advanced features, is available online at any time. There is also an easily searchable Help section for answers to your questions.

Finally, our team is available for calls 24/7, so we will always be there when you need us.
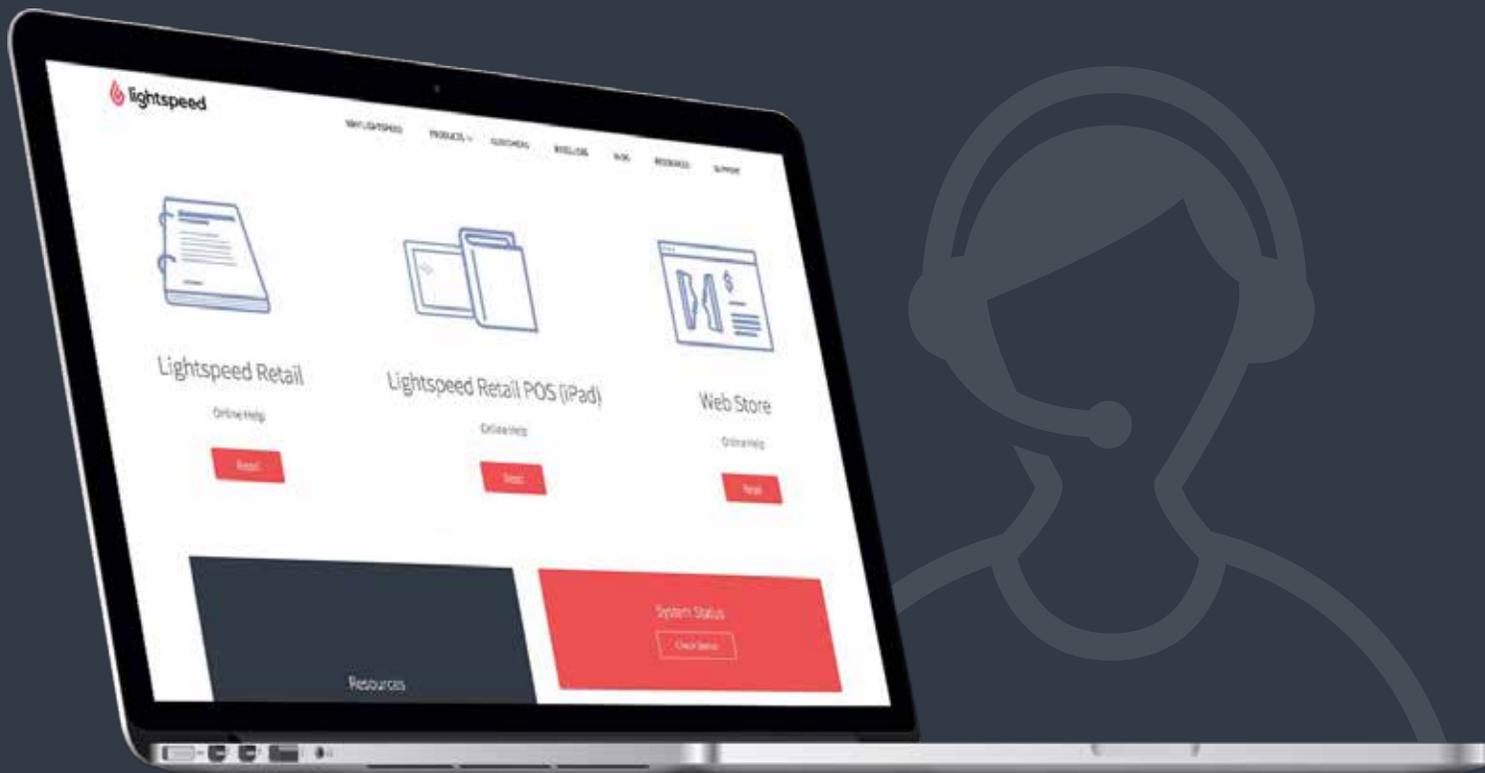
Conclusion

SilverEdge and Lightspeed want you to run your most profitable business ever. To do this, you need to know where your inventory is, how much you've got, and what's making you the most profit. Follow these best practices in inventory setup and management to get started on the right foot, so you can have quick access to this information for many years to come. With Lightspeed , great tools and lots of reports help you get your inventory moving the way you want it to.

About Lightspeed and SilverEdge

Lightspeed and SilverEdge are the perfect combination. With Lightspeed you get access to top-tier technology that unifies point of sale, inventory management, customer management, and analytics across all channels in-store and online. With SilverEdge you get cutting edge hardware at no upfront cost, 24/7/365 customer and technical support, installation assistance, and expert training on your new software.

The Lightspeed and SilverEdge partnership gives you the best of both worlds and provides you with an all-in-one solution specifically designed to increase your retail profits.

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Questions? Call us at 970-460-2240

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