

Elements of a Successful Inventory Management Plan

If your business sells any kind of physical product, your success depends on your ability to provide your customers with the goods they need on time.

Enter inventory management.

Inventory management is a set of strategies, methods and tools for storing, monitoring, delivering and ordering inventory. Inventory needs vary by industry, but fundamental inventory management strategies are constant across the board.

CHALLENGES OF EFFECTIVE INVENTORY MANAGEMENT

It's important to get the right strategy in place because so much of your company's money is tied up in inventory.

Having too little inventory is obviously a problem for your business. Customers become frustrated when items they're looking for aren't available. Many go elsewhere to get them, and some never return.

Having too much inventory creates different problems. Money you spend on excess inventory can't be spent elsewhere, and large stockpiles can be difficult (and expensive) to store and keep track of.

The ideal solution lies between these two extremes.

PROCESSES AND BEST PRACTICES

Recognizing your inventory planning could be improved is an important step toward higher profitability and reduced costs. Here are several best practices to remember:

- Implement a demand forecasting formula to avoid having too much or too little inventory on hand
- Conduct regular stock counts, and review the data for patterns
- Automate manual processes, such as tracking orders and product ages, to improve efficiency and reduce human error
- Collaborate across departments to reduce costs and streamline operations
- Implement quality control measures
- Identify your inventory management risks and prepare contingency plans
- Stay on top of market trends related to your business
- Train employees to ensure processes are reliable

Consider the unique needs of your business during inventory planning. Overstocking highly expensive products can bankrupt you if you don't sell them fast enough, but it may be necessary if it's hard to get more in a reasonable amount of time. On the other hand, short stocking may be a better plan for perishable inventory.

PEOPLE

Align your team to your best practices and procedures. Train them in quality control from the moment the product is received to where and how it's stored before it's shipped. Also, encourage problem-solving and creative thinking. This will ensure everyone in contact with your products is identifying and resolving problems to improve efficiency and minimize product loss.

You'll need to get your employees invested in any changes to inventory planning. Inform them about new procedures so they will see the benefits and support the changes. Once the team is united, the new plan can succeed naturally from the start.

TECHNOLOGY

You can reduce errors, increase efficiency and streamline your inventory management by investing in an inventory control system. This typically consists of centralized software and hardware (e.g., scanners, mobile devices and barcode labels).

Effective inventory management software can make inventory-related tasks easier. Before you buy anything, though, make sure you understand your needs. And confirm the software provides analytics and is easy to use.

In addition to inventory management software, mobile scanners and point-of-sale systems can help you manage your stock effectively.

FASTER, EASIER AND MORE ACCURATE

While there's no one-size-fits-all approach to inventory management, the most successful businesses use tools that make inventory optimization faster, easier and more accurate.

Selecting the right inventory management processes for your business is no easy task. Contact your insurance broker to learn how to address the risks associated with your company's inventory management plan.



If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.

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Edmonton: 1.800.665.5243
Calgary: 1.866.845.8330
Kelowna: 1.800.665.5243

lloydsadd.com
info@lloydsadd.com

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