

SMALL BUSINESS MATTERS

Inventory Critical!

Brought to You by CBDC South Coast



Inventory management on the surface is not the most intriguing part of your business operation. Most people view inventory related activities such as placing orders, warehouse or store room organization, product pricing, shelf stocking, and so on, as uninteresting. In most instances, each of the activities on their own may appear to be a seemingly a minor exercise. However, all business owners, managers, and sales associates that interact with any part of the inventory management cycle are involved in an “inventory critical” or otherwise “mission critical” part of the business.

Having the correct inventory levels, purchasing from the right suppliers, having the right selection or product mix, having the key brands, and having a system or processes well defined to ensure you have optimum inventory, cannot be over valued.

Some businesses that have computer inventory management systems, which are great, but these computer systems still require the right instructions. Computer systems are only as good as the people either inputting or extracting the information, so attention and care is still needed.

Businesses that do a great job with inventory management and supply of the correct products, at the right time, can be the most competitive and most successful. Having poor inventory management can even hurt a business more than poor customer service or poor pricing (of course varies by the sector – manufacturing, distribution, wholesale, or retail, as well as the type of products).

Customers overall, expect good customer service and competitive prices. However, in an inventory based businesses, if a customer encounters poor service and a slightly higher price, they may often still make the purchase. Why? The customer still wants or needs the product. It is sometimes that simple.

Conversely, if a customer encounters excellent customer service and finds that the product being sought is very competitively priced but out of stock, they most likely will look elsewhere. In this scenario, despite all the positives, there obviously will not be a purchase made.

If your customers frequently encounter inadequate supply for products that they expect your business to have on hand, they may regularly make a competitor their first stop in the future. Therefore, inventory management is fundamental to achieving good overall sales and building customer loyalty.

Take the time to look at products that are staples or core goods for your business or your industry, and ensure you never, or almost never, run out of these products. If you do not have sufficient cash flows to increase your inventory in the key product areas of your business, then it becomes an entirely separate matter or concern for your business, a financial one. However, for the purpose of this article, inventory management will be the sole focus.

For those products that are not regular commodities or frequent sellers, stock them to a lesser level but ensure you have at least options available for your customers. Having these items will help you sell your key commodities or fast sellers and provide the overall selection and choice expected by your customers.

For the most uncommon and less sought after products, ensure you have a well defined system for ordering so that your employees can effectively assist customers. These will be products that are typically special order in your business or local marketplace as a whole. This is often due to the nature of the products and expected norms for these specialty items.

Taking the time to adequately supply your customers is a critical, and of course, as equally important is not having too much inventory that you cannot sell in a reasonable time frame. So it is not a simple matter, but rather a very important one – “inventory critical”.

For more information on business financing and other services of CBDC South Coast call 1-800-303-2232 or 538-3846.