Taking Stock of Retail Stocktaking

New Group Looks at Best Practice for Driving Stock File Accuracy

I f ever there was an optimum moment for ensuring stock file accuracy (SFA), not as an aspirational nirvana or "nice to have" but as a business hygiene factor, today's post-pandemic retail eco-system is probably it.

Arguably, many retailers are still recovering and getting back to the pre-COVID level of control. They went through a torrid period of inventory implosion when all but essential stores were forced to close and their stock was scattered to the four corners of their retail estates, including full-to-bursting DCs that went into overdrive mode to help fulfil mushrooming online demand.

Add to this the stock delays and outages that still dominate the inventory landscape three years after Brexit was "done" and the associated shortages of workers in the supply chain, not to mention the cost-of-living crisis that has seen incidents of internal theft rocket, and it is not hard to see that we are further away rather than closer to achieving the desired goal of SFA.

The Importance of Stock File Accuracy

So why is SFA so important? There's an old saying in LP that "You can't manage shrink until you measure it." There are five key reasons why SFA is so important.

Improved Business Insights. First, it is all about having a helicopter view of the entire stock file, the location of all inventory in the supply chain, and what gaps exist and where. In short, SFA provides better knowledge of your business and what you have available to sell at any given time so that you can confidently meet high customer expectations; you won't run out of in-demand items at a critical time; therefore, you won't receive orders that you can't fulfil. On the flip side, SFA also means identifying what surplus or slow-moving product you have on the retail shelves or in the warehouse that is taking up valuable space so that you can expedite its removal.

Better Organisation. The second benefit of SFA is organisation, particularly for large, multi-merchandise businesses with equally big estates dealing in high volumes across multiple lines. In between stock counts, it's vital to have inventory management systems capable of maintaining an order and avoiding the misplacement of stock that would lead to disorganisation and products being lost or not tracked properly. These items end up as orphan stock that sit on shelves and never get sold because they've not been accounted for or cannot be found in the labyrinthian aisles of a DC or fulfilment centre.

Keeping an accurate, dynamic, and real-time stock file is everyone's responsibility. It shines a light on the behaviours that drive inaccuracy, highlighting the long shadows created by shrinkage, and differentiating between malicious and non-malicious discrepancies.

Businesses have many different systems to organise their warehouses. Some companies tend to put the bestselling items together in places that are easily accessible while others opt for dedicated locations for product categories, therefore keeping related products together. In short, how your business stores the products can be just as important as having a system that is easy to understand so inventory can be found when needed.

Saving Time and Money. Third, SFA is about saving time and money. This means that in a busy store or warehouse, more effective tracking of item availability and related orders can reduce reliance on inventory recounts. Quality software can update the stock in real time, so store colleagues and warehouse operatives gain better visibility of what is available without needing to worry as much about checking it manually.

In terms of saving money, because you will also know which products are selling well and which ones aren't moving, you will dynamically understand what you should discontinue because it's just taking up valuable space on your warehouse shelves. Being able to remove the slow sellers and non-sellers also creates the capacity to act on light bulb insight into the types of products your company should be stocking.

Improving Efficiency and Productivity. The fourth reason is that inventory accuracy improves efficiency and productivity across the entire supply chain. Employees working in the stores and in the warehouses will appreciate having an accurate stock system—one that utilises barcode scanners and inventory management software to make their work easier because they will know exactly where to find the items in the warehouses, and then scan the items' barcodes when picking them rather than taking the time to record everything manually. In busy retail businesses often dealing with omni-channel ordering from multiple platforms, this speeds up the process and makes everything far more efficient as well as helps to improve the overall productivity of the operation that is quicker and slicker in the 21st century.

Maintaining Customer Satisfaction. This latter point complements the fifth and final point, which is about maintaining

the loyalty of customers. We live in difficult times where brand promiscuity is rife because of the high expectations created by "order now and receive before lunchtime tomorrow" types of offers. Failure to deliver these demanding orders leads to dissatisfaction. SFA provides the retailer with the helicopter-view transparency of what's on the shelves in terms of size, colour, quantities, and, more importantly, where they specifically are, particularly when it comes to popular or in-demand seasonal items. This leads to happier customers because the shipping and fulfilment process tends to be smoother and faster with fewer returns.

The pandemic also had a profound impact upon those high expectations, according to IMRG, the UK's specialist e-retail organisation that wrote *The Returning Conundrum* report, which said in part: "While the pandemic changed retail shopping behaviours, there is also an assumption that it changed customers' expectations. Part of this could be a 'charitable' perspective or feeling of 'entitlement' where consumers feel that brands should reflect the difficult circumstances they found themselves in. For example, with many people furloughed, customers were watching their finances more closely and felt that brands should have reflected this with offers and discounts. The brands themselves would also be facing a myriad of challenges, such as physical stores being mothballed, excess stock and unforeseen overheads and those based on budgets drawn up in different times."

Retailer Inventory Accuracy Survey

Many of these issues are the rationale behind the formation of the new Orridge Stock File Accuracy Forum that brought a broad range of retailers together in autumn 2022 to discuss the challenges.

LP and inventory analysts from various high street brands and online businesses representing a number of different sectors—fashion, health and beauty, grocery, DIY, pet supplies, and general merchandise, all of whom had high stock keeping unit (SKU) numbers in common—came together to discuss common challenges affecting their businesses.

Ahead of the inaugural meeting of the Forum held at Wickes's head office in Watford during November, Orridge, one of Europe's leading independent stock counting and supply chain specialists, conducted a survey among retailers that revealed that 100 per cent of respondents agreed with the statement: "Stock accuracy in stores is causing availability issues and lost sales," with a staggering 66 per cent "strongly agreeing" with the sentiment.

All agreed that high levels of inventory accuracy were key to running a retail and supply chain business efficiently and that having the stock without the knowledge was as problematic as believing you had it whereas in reality it wasn't there. Either way it is an unfulfilled sale and a dissatisfied or lost customer.

In answer to the statement "Stock availability challenges are causing customer dissatisfaction," 100 per cent of the sample all supported the assertion, with half strongly agreeing.

A total of 82 per cent strongly agreed with the statement "In-store stock accuracy issues are causing web fulfilment—click and collect—issues for customers," with just over 26 per cent neither agreeing nor disagreeing.

Half of the sample strongly agreed that a full stock count materially improved SFA, with 41 per cent agreeing with the assertion and only 8 per cent not having a view either way.

Deliveries were another bone of contention for those polled with more than 57 per cent agreeing that they are causing store stock issues that are impacting the shrink figures. Only 16 per cent disagreed with the statement and 25 per cent neither agreed nor disagreed.

A quarter of the sample strongly agreed that deliveries were checked and claims were made against suppliers for missing items, while 16 per cent agreed and one-third had no view on the claim.

A total of 41 per cent agreed with the statement that they measured DC pick accuracy and loading compliance. A quarter of the sample disagreed.

Nearly half said that they shared stock accuracy details with stores while a quarter disagreed with this.

Another question was about the effectiveness of the SFA management information and how it helped influencers in the business to be effective. Just over 40 per cent agreed, with a further 8 per cent strongly doing so. Interestingly, half of the sample did not have a view either way.

The gaps in the survey were telling as were the findings from delegates on the day when asked how high, on a scale of one to ten, did their business position SFA. While most of the businesses did measure SFA and saw it as a priority, the average score was seven.

Orridge Stock File Accuracy Forum

The Forum, the first of a series to be organised by Orridge, was designed as an open discussion where retailers could explore the subject and share best practice. Facilitated by John Wilson, executive editor of *Loss Prevention Magazine Europe*, most attendees were interested in hearing about others' experience and methodologies for stock counting and how they reconciled inventory and availability.
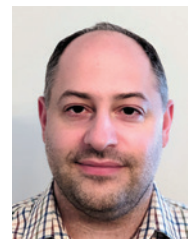
Questions around the table ranged from technology to perpetual inventory checking, regularity of counts, and key operational factors that impact SFA. Here, one of the most pressing discussions was around the impact of self-checkouts (SCOs), increased labour turnover, and the cost-of-living crisis.

James Lambert

James Lambert, profit protection manager at Wickes who hosted this first Orridge event, said, "The Forum meeting was excellent and, in my view, long overdue in terms of the open sharing. We started a lot of good discussions that we will certainly continue to develop at the next Forum meeting later in 2023."

Peter Davies, sales director for Orridge, added, "The discussions around the table and the engagement with the survey proves to me that there is a huge appetite to collaborate and share best practice around the topic of stock file accuracy and on-shelf availability both in stores, online, and in the supply chain. Post-pandemic, there has never been a more important time for having this broader industry discussion, as achieving some measure of stock file accuracy is the all-important differentiator between thriving and surviving."

Peter Davies

SFA is all about making inventory visible and democratising the supply chain to achieve this. Keeping an accurate, dynamic, and real-time stock file is everyone's responsibility. It shines a light on the behaviours that drive inaccuracy, highlighting the long shadows created by shrinkage, and differentiating between malicious and non-malicious discrepancies. This process empowers a business to better deploy resources to tackle the gaps in knowledge and intelligence to ensure inventory is always in the right place at the right time and at the right price.

Orridge will hold two more meetings in the summer and autumn of 2023. For more details or to register your interest, please visit bit.ly/Orridge-stock-accuracy-forum. ◾