WHITE PAPER

How to Pick an Inventory Management Solution That Scales with Your Business

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How to Pick an Inventory Management Solution That Scales with Your Business

With the right inventory management solution in place, retailers can flex and adapt quickly regardless of market conditions, challenges or changing business models.

During the startup phase, retailers focus on launching their businesses, building market share and creating sustainable business models. Setting up shop, establishing physical or virtual locations, staffing up, choosing product lines, and finding customers are all top of mind during this stage, and rightfully so.

But once those "early stage" challenges are behind them, retailers have to think about scaling up, strategically expanding their markets, increasing sales and building their customer bases to the point of profitability (and beyond).

To support this mission, software solutions must adequately scale with their users. To make sure this happens, companies must invest in the right solutions that not only meet their current needs, but that can also flex and adapt quickly to the needs of an expanding organization.

For any retailer that's operating in today's fast-paced, ecommerce-oriented selling environment, inventory management is one area where "scale" truly counts. For example, a growing company may make any (or all) of these moves in an attempt to grow revenues and market share:

- Expanding into new geographies (e.g. through acquisitions).
- Overhauling its ecommerce approach to sell more online.
- Taking on new product lines and supplier partners.
- Creating stronger alignments with suppliers and/or customers.
- Developing a "leaner" inventory approach (i.e. one that reduces inventory levels while minimizing stock-outs).
- Finding new ways to drive costs out of the distribution process.

Achieving these and other growth goals can be easier and less costly with technology, but only if that technology is flexible, scalable, adaptable and cloud-based. By helping retailers minimize manual work and streamline their operations, for example, a scalable inventory management solution can reduce costs, improve efficiencies and simplify even the most dynamic distribution environments.

In this white paper, we explore how scalable technology helps retailers solve their biggest pain points, show how to pick a solution that will scale up as retailers grow and hear how one company successfully transformed its inventory management approach with a scalable, cloud-based solution.

Easing Retailer Pain Points with a Scalable Inventory Management System

Achieving optimal inventory levels is a delicate balance. Buy too little and you wind up with stock-outs and unhappy customers, procure too much and your carrying costs and obsolete inventory levels go up. Intent on running leaner operations that aren't saddled down with excess inventory or plagued by wasteful processes, more retailers are examining their inventory turnover and coming up with good management strategies that satisfy customer demands while also reducing (or eliminating completely):

- High inventory costs
- Uncertainty due to fluctuations in demand
- Risk of loss
- Stock-outs
- Inventory turnover rates
- Unnecessary order duplications
- High levels of working capital tied up in inventory

- Excessive storage costs
- Imbalanced shipment lead times
- Lost customers
- Loss of materials due to carelessness or pilferage

Combined, these problems can add up to substantial financial losses—all of which can be avoided or mitigated by using a scalable inventory management platform that enables high levels of inventory visibility on a real-time basis.

Inventory management includes product ordering, storage and control. It's about having the right products in the right quantities in the right place and at the right time—and all at the right cost. By governing non-capitalized assets and monitoring the movement of products from retailer to end user, inventory management requires detailed recordkeeping for every stocked product.

Good Inventory Management: From Point of Origin to End User

A critical aspect of supply chain management, good inventory management extends from the point of origin (e.g. the manufacturing plant or distribution center) to the end user. Left up to chance, it can either tie up cash and hurt organizational profits, or it can save companies money while also improving their profits and bottom lines.

Consider these two scenarios:

- When you overstock in anticipation of future demand, your company may wind up saddled with "dead stock" in its warehouse, DC or retail store. This dead stock consumes working capital and uses up physical space all while sitting still. The products in question may also be on the brink of obsolescence, rendering them unreturnable and useless in the near future.

- When you don't hold enough inventory in stock, you risk running out right when customers ask for the goods. Maybe the current tariff situation has you jittery about foreign supply sources, or maybe your firm's new ecommerce site is creating new, unprecedented demand levels for certain items. Whatever the culprit, you now have a stable of unhappy customers to contend with.

In the past, companies tried to avoid these problems by performing physical counts out in the warehouse and then reconciling those counts with paper- or batch-based systems. This task took place on a scheduled basis (e.g. at the end of a set period, such as a month or a quarter), with the result being updated inventory figures.

Today's inventory management processes incorporate advanced technology. Scalable inventory management software, for example, enables real-time updates of inventory counts on a regular basis. When this process takes place in the Cloud, the information can be readily shared with all users and stakeholders across multiple business units and locations.

What is a Scalable Software Platform?

In the business world, the word "scale" means to grow or expand in a proportional and usually profitable way. It's also used as a noun that translates into proportional growth especially of production or profit and/or a large market position."[1] Specifically in the software realm, a

[1] Merriam Webster, What Does 'Scale the Business' Mean?

scalable system is one that doesn't have to be redesigned in order to maintain high levels of performance when workloads increase.

Those increases could be driven by more users on the system, the need for higher storage capacity, an increase in transaction levels or pretty much any other event that forces the solution past its original capabilities. Not always seen as a requirement during the software selection phase, scalability allows your inventory management solution to grow, change and morph along with your company.

Scalable software platforms provide a myriad of benefits. A retailer that's just starting out, moving into a new market or taking on a new product line, for example, should select a scalable inventory management solution that provides *only what the company needs* at the time. That translates into lower upfront investment and less user training—both of which are attractive "wins" for companies in the startup phase.

As the retailer starts to grow, however, its inventory management solution has to mature right along with it. A retailer that starts out with 200 SKUs and 10 customers, for example, but then expands to 2,000 SKUs and 100 customers within two years, needs a solution that can scale up without any major redesigns or interruptions.

By preparing for future expansion while keeping complexities to a minimum, scalable platforms leave the door open for changing requirements while helping retailers adapt to their own changing business environments (and all without a high upfront investment in technology). Because the software was literally designed to grow along with the company, retailers can continue to leverage the same software for a longer period of time. Combined, these benefits help companies protect their investments and get the most out of them.

Is Your Software *Really* Configured for Scalability?

At some point, every retailer experiences the kind of growth that outstrips its technology. Maybe that software was developed decades ago, or maybe it's just maxed out and unable to scale up any further. It could have been developed on older architectures and because of this, it can't integrate with other systems and solutions. Or maybe a retailer wants all of the bells and whistles (e.g. dashboards, application programming interfaces (APIs), mobile capabilities, etc.) that modern, cloud-based software platforms have to offer.

The problem is that in today's competitive business environment, retailers can't afford to spend time and money on manual inventory management processes—nor can they afford to work with solutions that don't adjust to their current (and future) technology needs. No longer relegated to using proprietary, on-premise systems that offer low levels of flexibility, today's leading companies are leveraging cloud-based platforms with capabilities that can be expanded (and, if necessary, contracted) to meet the enterprises' needs.

If a retailer is using Excel spreadsheets to manage inventory, continually finding itself in either overstocked or understocked positions, and dealing with inventory counts that don't align with what's really on the storeroom shelves, then it's probably already losing money and customers. Other telltale signs that an inventory management system isn't working anymore include:

- Complicated, time-consuming inventory reconciliation processes.
- Overstocking to ensure that the right amount of product is on-hand when needed.
- Constantly having to manually change physical counts to reflect actual in-stock positions.

> ## "Without robust reporting capabilities—and the ability to know exactly where everything is and at any given time—you'll just spend a lot of time chasing information down instead of focusing on building your business."
>
> Michelle Davidson, Wholesale Distribution Industry Principal, Oracle Netsuite

- Mismanaged inventory levels.
- High levels of human error (i.e. due to manual data entry processes).
- Inability to handle an increased number of stock keeping units (SKUs) as your retail business grows.
- No metrics to leverage to confidently optimize inventory.
- Too much obsolete inventory in the warehouse or distribution center (DC).
- Poor demand forecasting.
- The list goes on…

For a company in growth mode, the right technology can help gain better economies of scale and improve throughput with less human labor. By investing wisely in technology, retailers can achieve all of these benefits and more.

Scalable Inventory Management in Action
Historically reliant on manual inventory processes, Navitas Organics recently digitized its inventory management approach with the scalable, cloud-based Oracle NetSuite application. Based in Novato, Calif., the producer of organic "superfoods" can now track the location of its packaged products and more quickly pick, pack and ship orders.

In the warehouse, workers use handheld mobile devices to record when they transfer products to different bins or pick them to fill orders. "Formerly, we had to do a full physical count to reconcile our inventory," Navitas' Greg Hingsbergen told Forbes. "Now it's done in real-time."

Inventory was crammed onto warehouse shelves (which weren't designed to accommodate pallets), jumbled, and difficult to manage in terms of first-in/first-out or last-in/first-out (in relation to expiration dates). "Every day was a scramble to get our orders out," Hingsbergen said.

The Best Approach: Walk, Crawl, Run
During the software selection process, the vendor's job is to help the customer "walk, crawl and then run" in a way that ensures good scale for a growing business. Using a step-by-step approach, retailers will not only be building your inventory management approach on a strong foundation, but also setting that system (and company) up for future success.

In return, retailers gain full visibility into their inventory and the ability to make fast, accurate decisions regarding the allocation of orders and products.

To get started, assess where you are right now and where you want to go.

Assessing Your Current and Future Requirements
As many other companies have learned, finding the right inventory management system requires assessing the retailers' current needs and its plans for future growth. And while predicting the future is never an easy thing, assessing the current status, identifying any technology gaps and reviewing its future plans can all help set retailers on the right path.

Key questions to ask include:

1. What are we using right now and how is it working for us?

Take an honest snapshot (or, bring in an outside consultant or software vendor to provide a third-party opinion) of the current inventory management solution and its capabilities. If it's not working, tell us why—what's missing?

2. What are our current solutions' limitations?

What should be on the "wish list" right now if someone asked what the inventory management solution should handle? With today's cloud-based software systems, virtually anything is possible.

3. What will you need one to five years from now?

Brainstorm with sales and marketing teams, talk to your warehouse manager and do some customer focus groups to figure out where the new opportunities are. Taking advantage of them will mean scaling up the inventory management approach to meet the needs of your growing business.

Working through this exercise, retailers will have a clear picture of the company's current inventory management needs and what it will need in 2020 (and beyond).

Getting the Right Products to the Right Place at the Right Time

Whether a company is just starting out in retail or ready to gain more market share in the field, it will miss the mark if it doesn't have an efficient, automated inventory management system to build upon. Not only will the company not be able to scale up, but it will always be held back by the number of people it needs to manage all of the manual inventory management processes.

Armed with accurate inventory data that's recorded, tracked and optimized with a robust software suite, retailers can effectively reduce costs, minimize waste, meet customers' expectations and more accurately predict future demand. By incorporating automation—namely, barcode scanners that enable real-time updates—inventory management software also removes the potential for human error and gives organizations an accurate picture of their inventory status at any given moment.

"Research the inventory management systems that you have in place today, and look very carefully at how those solutions will support your company's growth going forward. Then, come up with a plan that incorporates the software that you need now, and what you'll need three to five years from now to keep your company streamlined, automated and profitable."

Michelle Davidson, Wholesale Distribution Industry Principal, Oracle Netsuite

> "A good inventory management system that scales will serve as the framework for your entire business, so don't try to rush through the selection process. If, for example, you're smack in the middle of your busy season and unable to devote attention to selecting the right system, then put it on hold until you do have the time."

Michelle Davidson, Wholesale Distribution Industry Principal, Oracle Netsuite

Combined, these benefits help firms maximize their profits while minimizing their inventory investments. When supported by a scalable, cloud-based inventory management solution, this approach also helps retailers protect themselves from fluctuations in demand, reduce the risk of loss, minimize administrative workloads and avoid ordering duplications. Most importantly, a scalable inventory management platform ensures that customers get their shipments in a timely fashion in today's on-demand business world—a must-have for any growing retailer.

About Oracle NetSuite

For more than 20 years, Oracle NetSuite has helped organizations grow, scale and adapt to change. NetSuite provides a suite of cloud-based applications, which includes financials/Enterprise Resource Planning (ERP), HR, professional services automation and omnichannel commerce, used by more than 19,000 customers in 203 countries and dependent territories.