

# Inventory Management Survey Results



Presented by:  
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*April 2018*

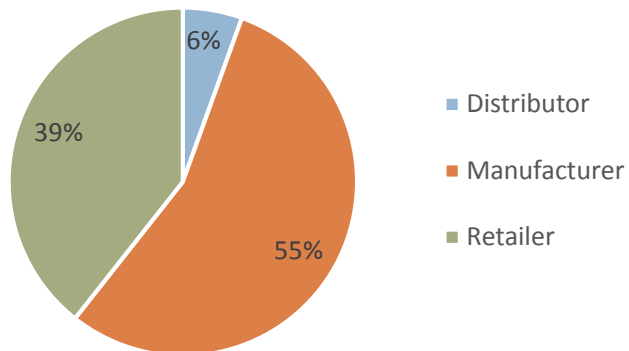


# Report Structure

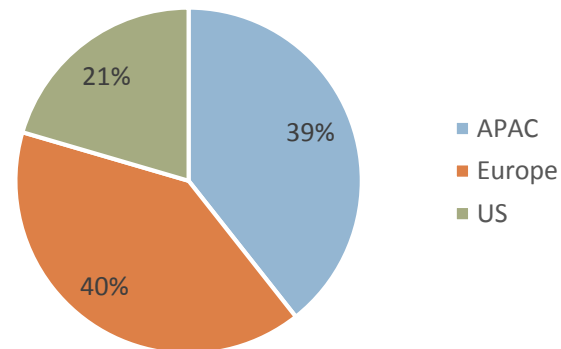
- **Who Took This Survey?**
- **Top Inventory Management Concerns**
- **Inventory Management Technologies**
- **Inventory Visibility and Shipping Across Locations**
- **Excess Inventory**
- **SKU Classifications**
- **Inventory Management Metrics**

# Who took this survey?

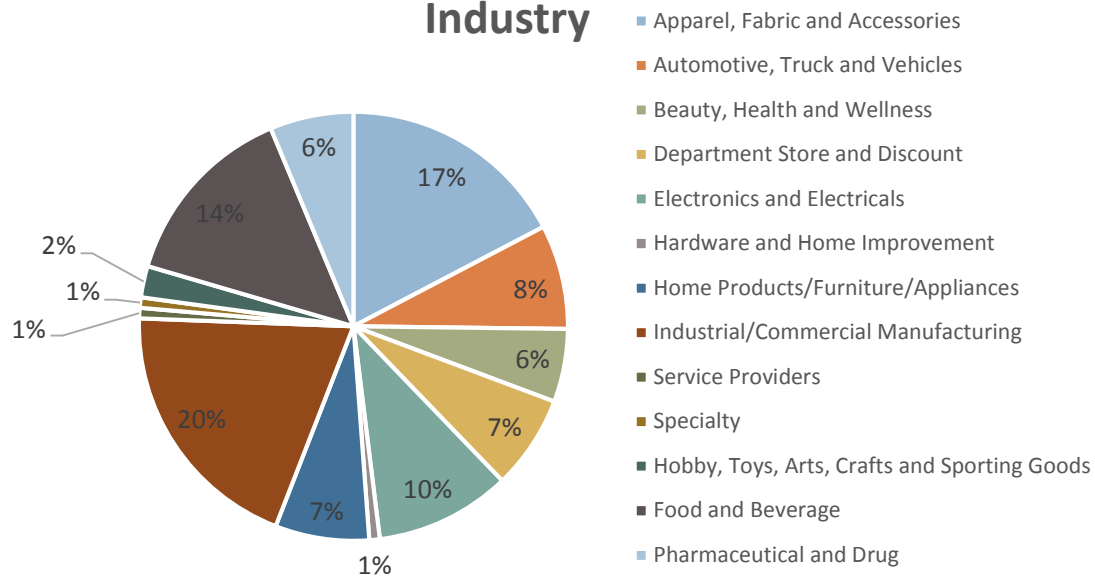
## Type of Company



## Region



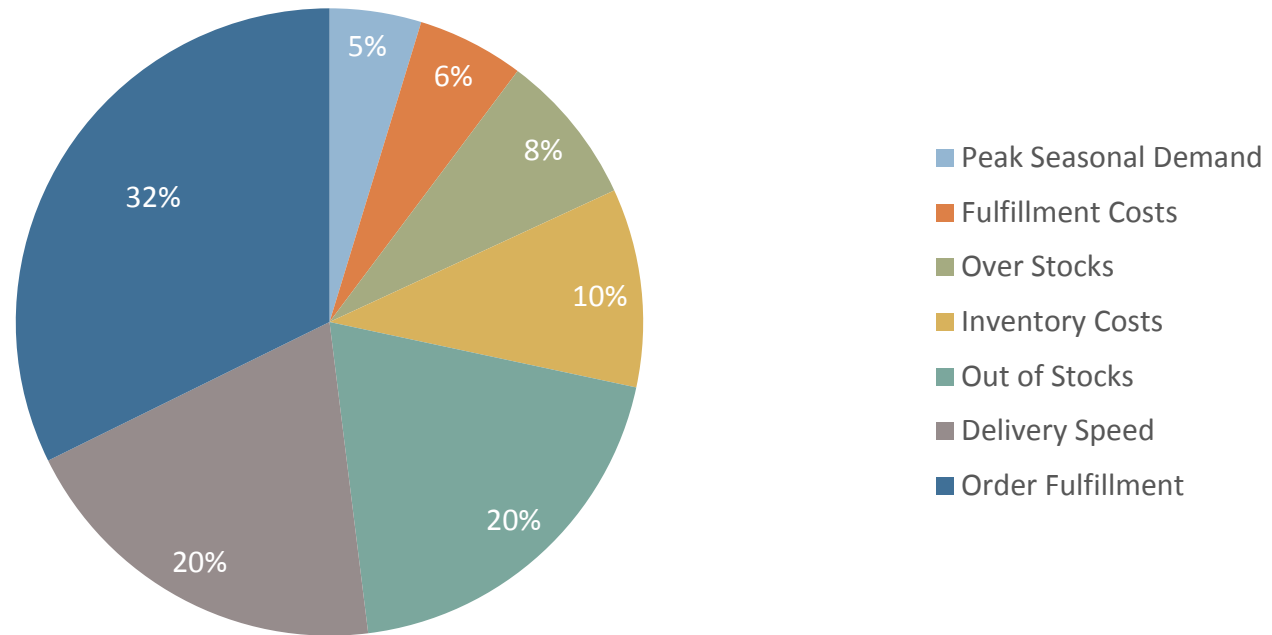
## Industry



# Who took this survey?

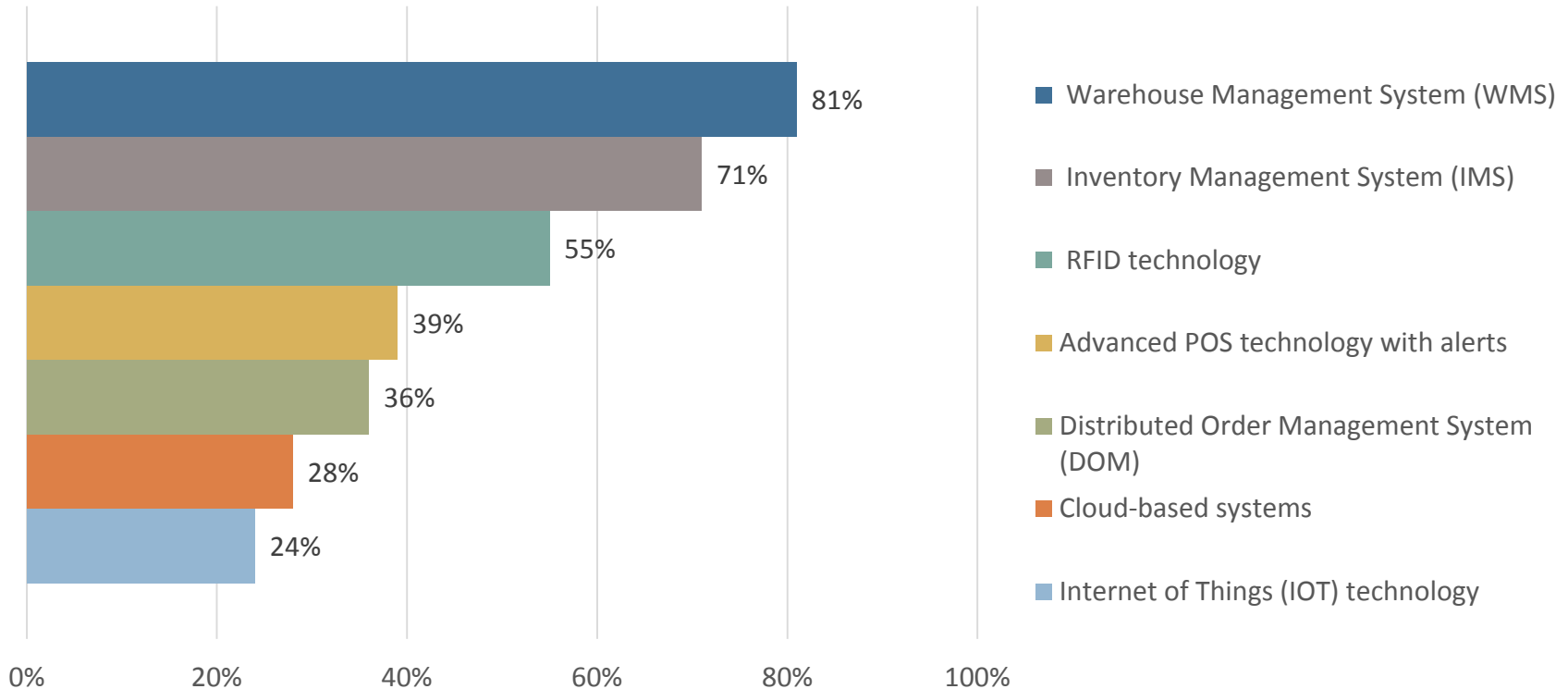
- Survey Respondents were asked what percentage of your total sales are through the e-Commerce channel?
  - Low: 0%
  - Avg: 22%
  - Median: 5%
  - High: 100%
  
- What is your total number of active SKU's in inventory, across all locations?
  - <1k SKUs: 35%
  - 1k-25k SKUs: 38%
  - 25k-50k SKUs: 11%
  - 50k-500k SKUs: 11%
  - >500k SKUs: 5%

# What is your top concern regarding inventory management at your organization?



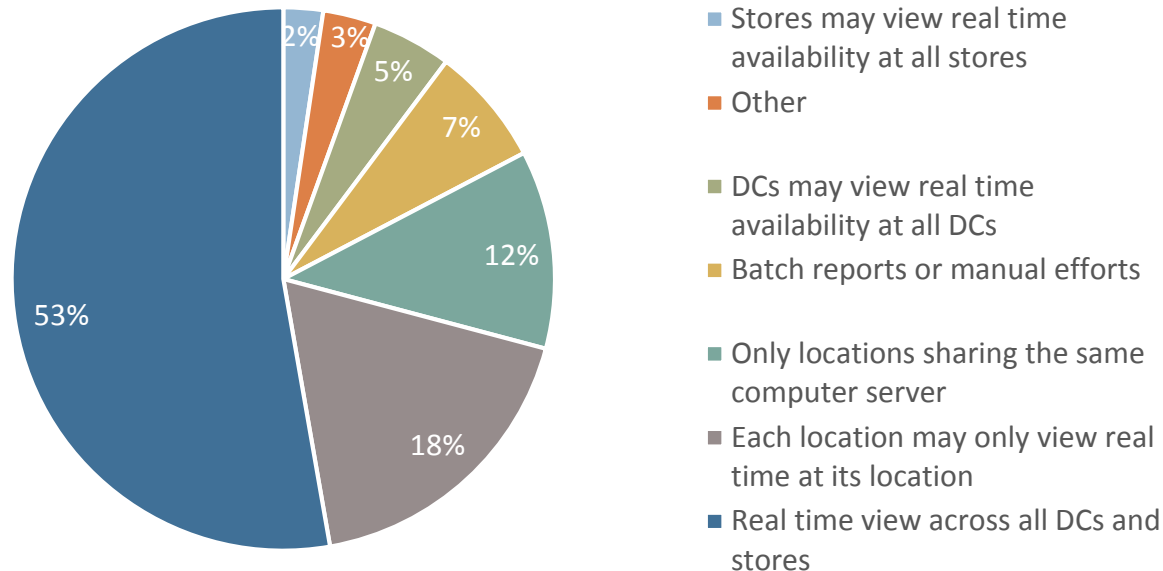
- 40% of companies with a high degree of eComm had delivery speed as the most important concern
- The cost concerns were rated relatively low with fulfillments costs only being a top concern for 6% of companies and inventory costs 10%.
- Top concern category for retailers was delivery speed (33%) and mfg top category was order fulfillment (40%)
- Inventory costs were much more of a concern for US companies (27%) vs Europe (6%) and APAC (6%)

# Select below all inventory management technologies you use



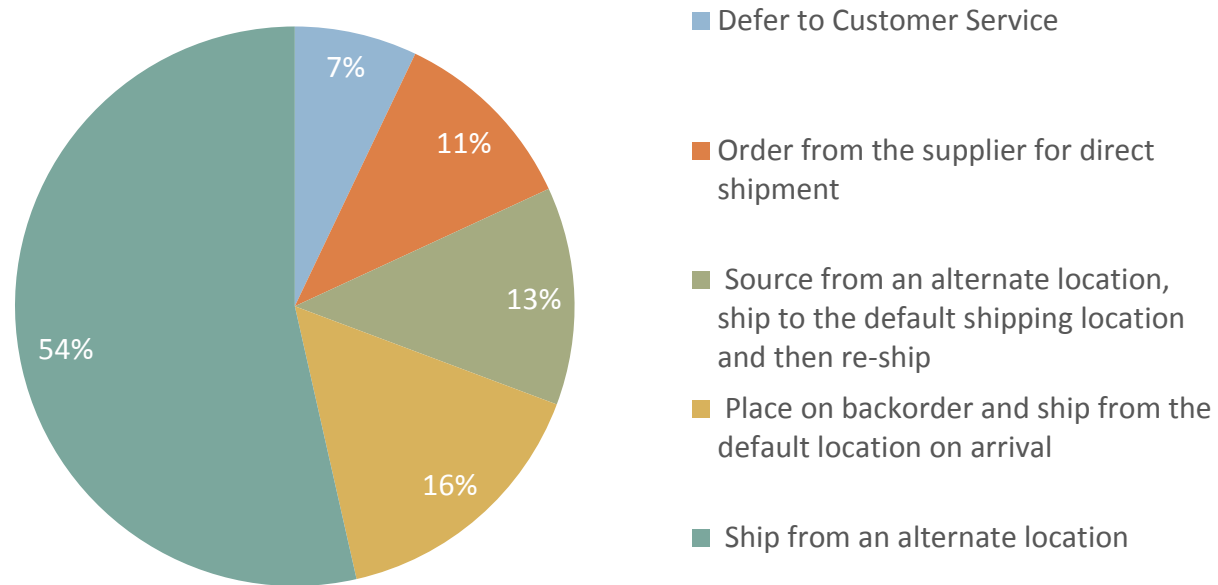
- Companies with a high degree of eCommerce (>50% ecomm) used the most inventory management technologies. Particularly RFID technology (80%), IMS (88%), and WMS (96%)
- RFID technology is much more common in Asia (60%) and Europe (71%) vs the US (15%)

# Do your systems provide a single, real time view of inventory availability across all your locations (DC and stores)?



- 53% of respondents have a real-time view across all DC and stores. While 18% only have real time view at each location
- Only 7% of respondents indicated that inventory availability is accessible only through batch reports or manual summarization
- APAC respondents are lagging behind both Europe and US in terms of the use of one real time view across all DCs and stores only 40% of respondents vs Europe 65% and US 54%

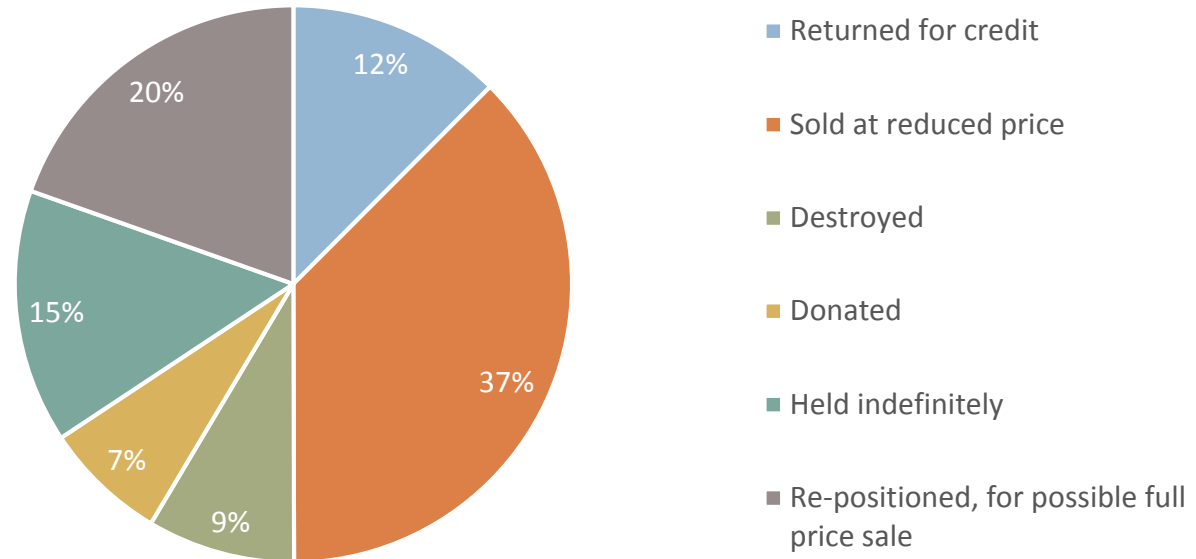
# When a SKU is ordered by a customer, but is not available for shipment from the default shipping location, what action is taken?



- Top choice is ship from alternative location (54% of respondents)
- Companies with a high degree of eComm were two times more likely to ship from an alt location than companies with no eComm
- Mfg companies were more likely to place an order on back order than retailers

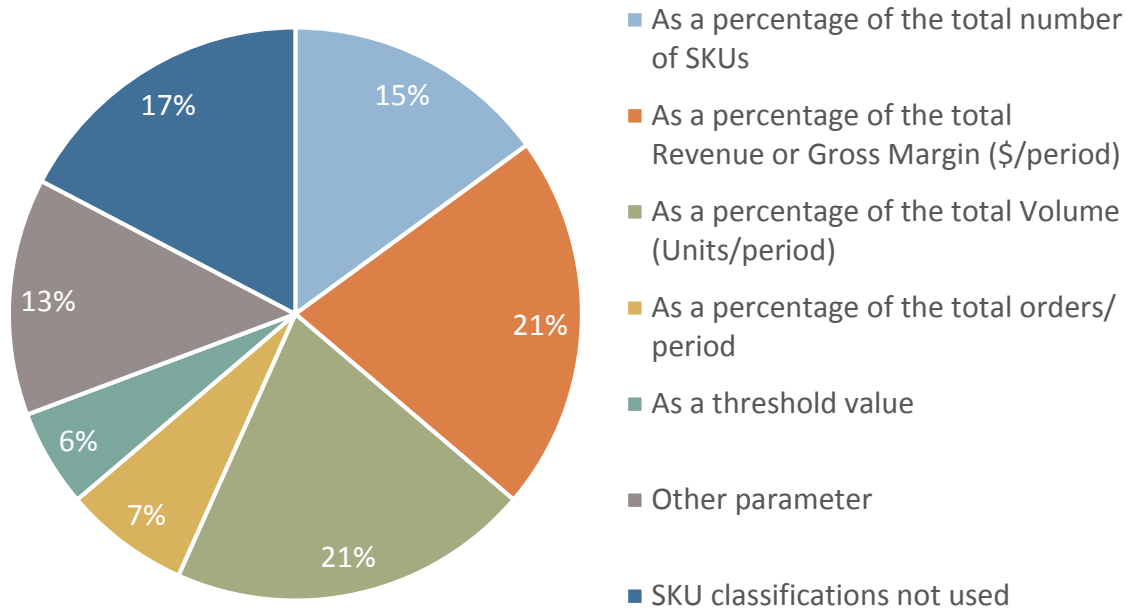


# How is excess inventory addressed?



- Companies with a high degree of eCommerce favor returning the merchandise for credit and sold at reduced price
- Companies that don't do eCommerce tend to hold the product indefinitely or reposition for possible full price sale
- Retailers favored selling items at reduced price while Mfg companies were more likely to reposition for full price sale.
- Companies with a higher amount of skus tended to sell the product at reduced price.

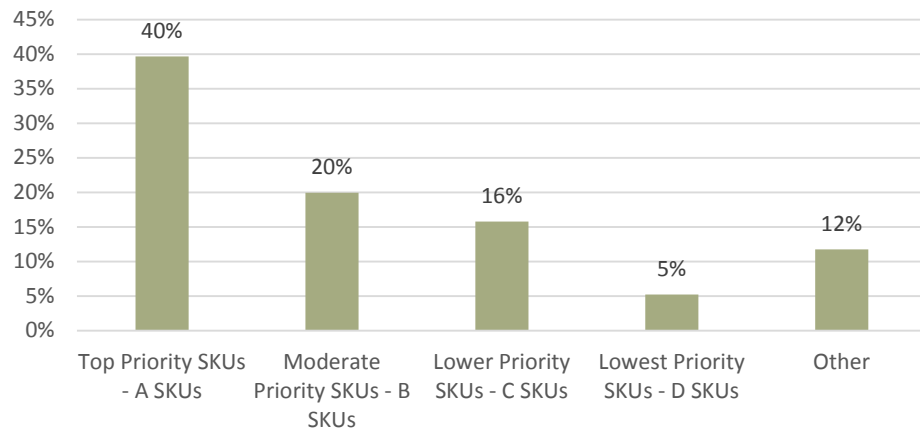
# How are your SKU classification boundaries defined?



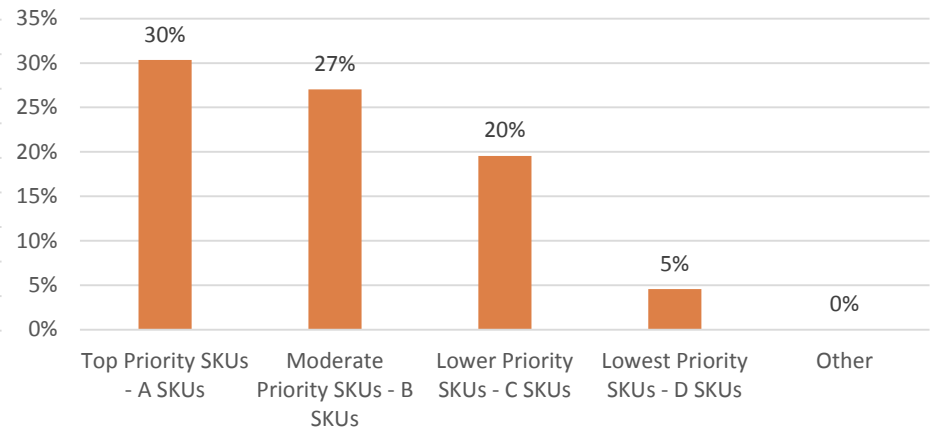
- Surprisingly 17% of respondents do not use SKU classifications driven mostly by distributors with 43% not using SKU classifications
- In APAC only 14% of respondents used the total % of the total orders/period more often than Europe 2% and US 4%
- Mfg top response was as a % of total volume (27%) while retailers top category was % of total number of skus (22%)

# What percentage of SKUs fall into the following SKU classifications?

As a percentage of the total Volume  
(Units/period)



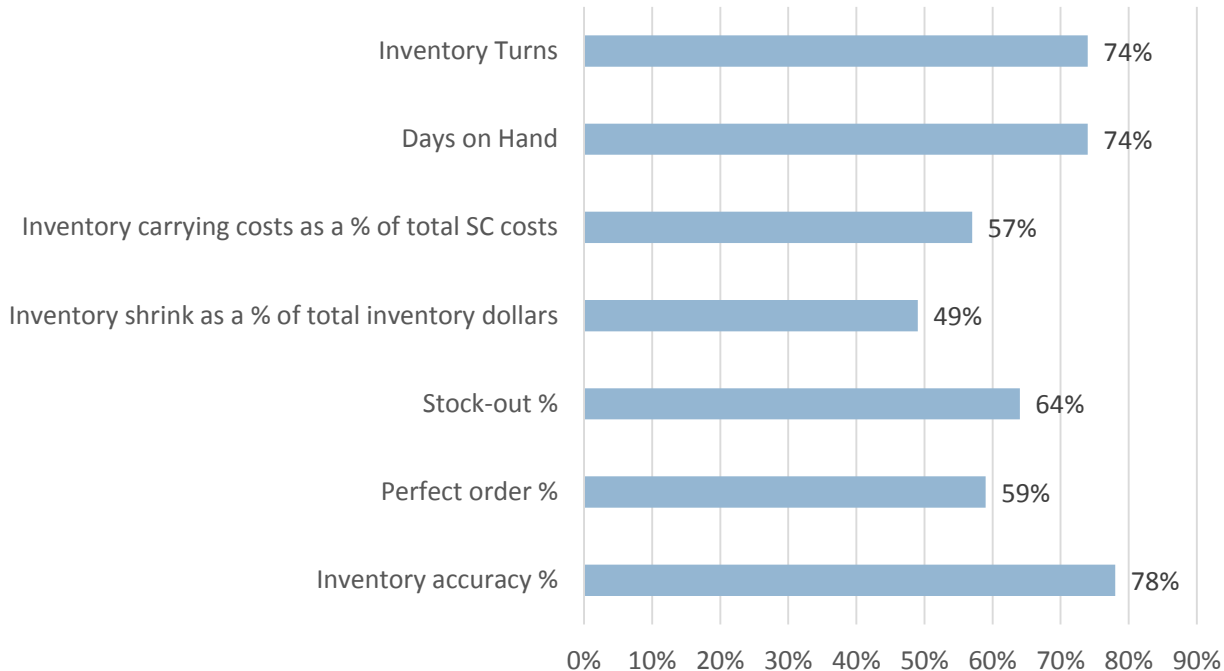
As a percentage of the total Revenue or Gross  
Margin (\$/period)



# Indicate below if your company uses each Inventory Management metric?

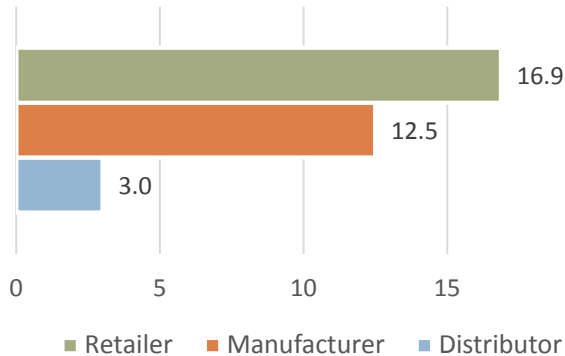
The chart below shows the percentage of surveyed companies that use each performance measure. The most commonly used KPIs are inventory accuracy (78%), days on hand (74%), and inventory turns (74%).

### Use of Inventory Management KPIs

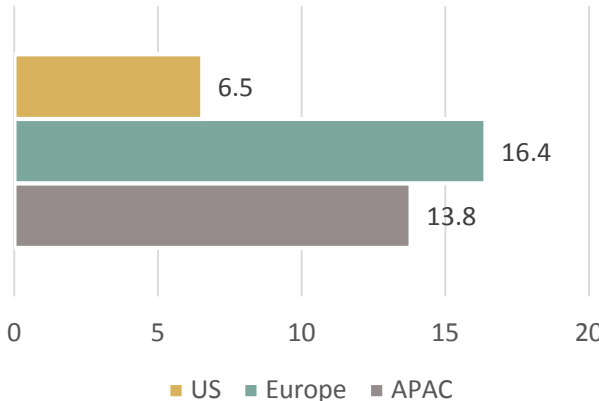


# Inventory Turnover Ratio Performance

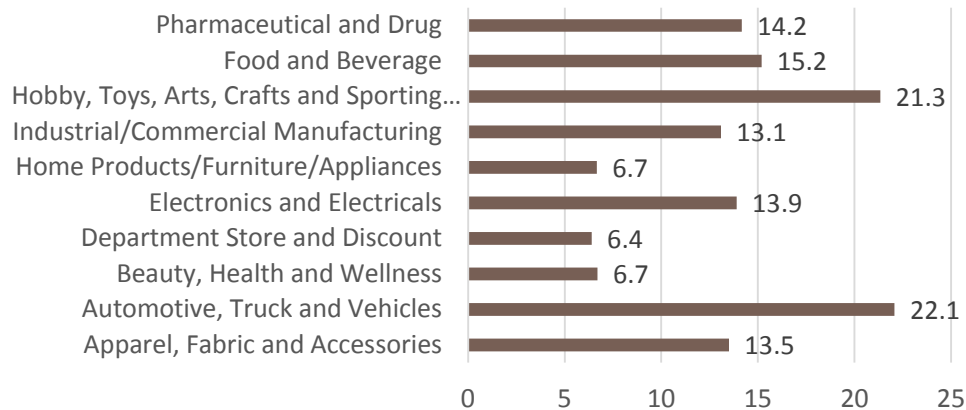
Inventory Turnover by Type of Company



Inventory Turns by Region



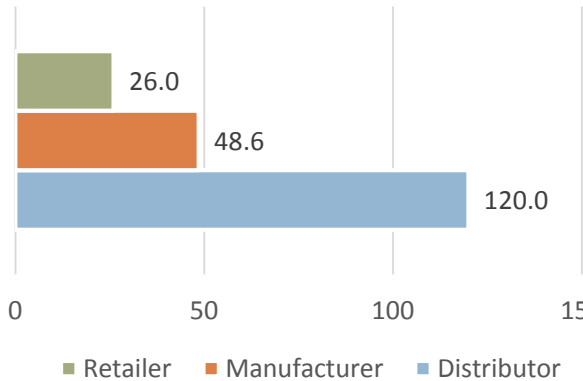
Inventory Turns by Industry



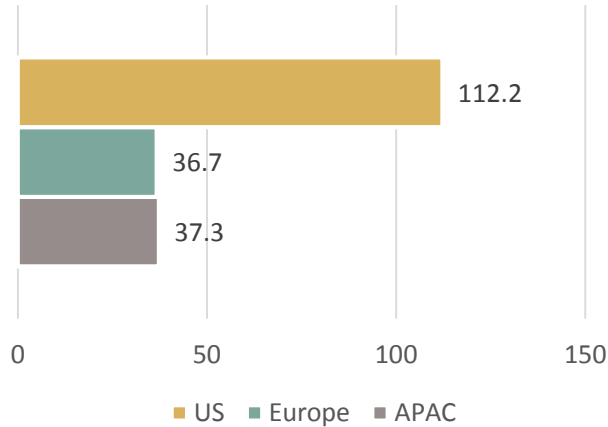
The **Inventory Turnover Ratio** is a measure of the number of times inventory is sold during a time frame, such as a year. A low turnover rate may point to overstocking, obsolescence, or issues with the marketing of the product. A high turnover rate may indicate inadequate inventory levels, which may lead to a loss in sales because of out of stocks.

# Days on Hand Ratio Performance

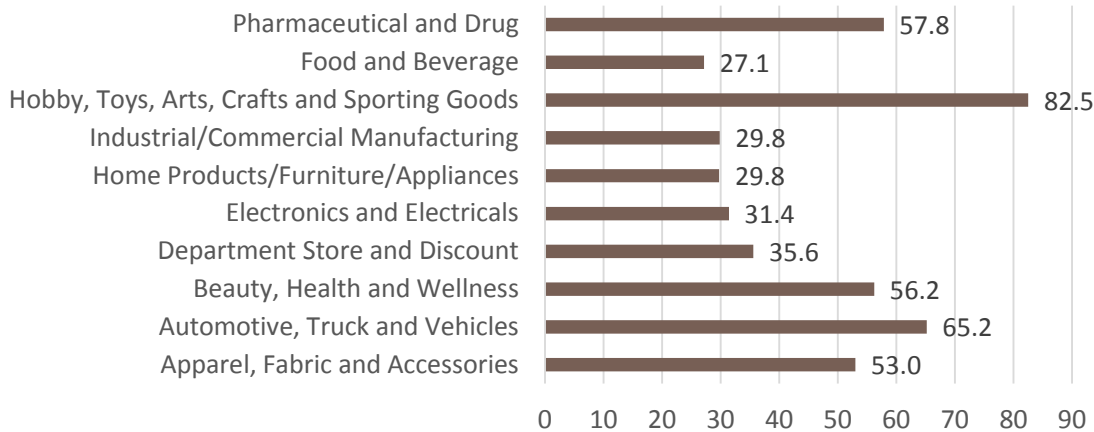
Days on Hand by Type of Company



Days on Hand by Region



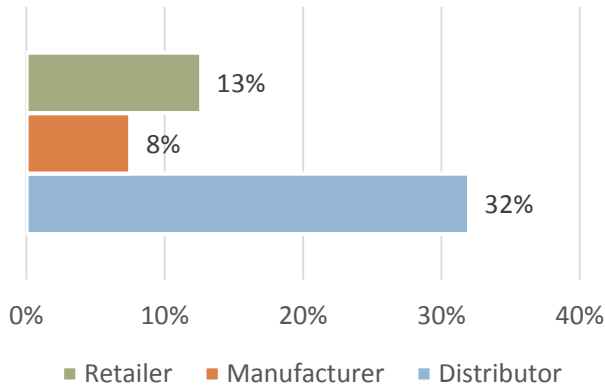
Days on Hand by Industry



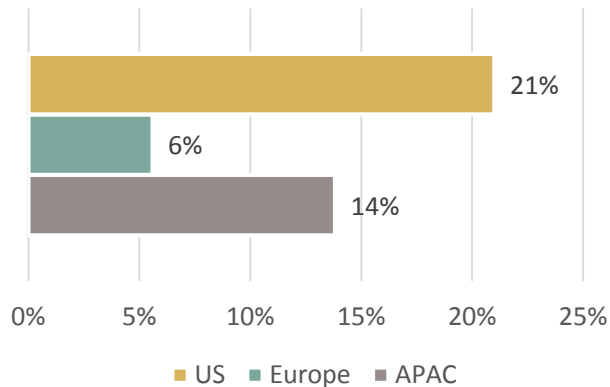
The **Days on Hand Ratio** is a measure of the number of days in a year it takes to sell inventory or convert it into cash. A key aspect of reducing inventory is accurate forecasting. Capturing and reporting on forecast accuracy will provide meaningful feedback that can be used to improve the forecast going forward. Inventory accuracy metrics should be tracked over time and targets should be set for inventory accuracy.

# Inventory Carrying Cost Performance

Inventory Carrying Costs by Type of Company

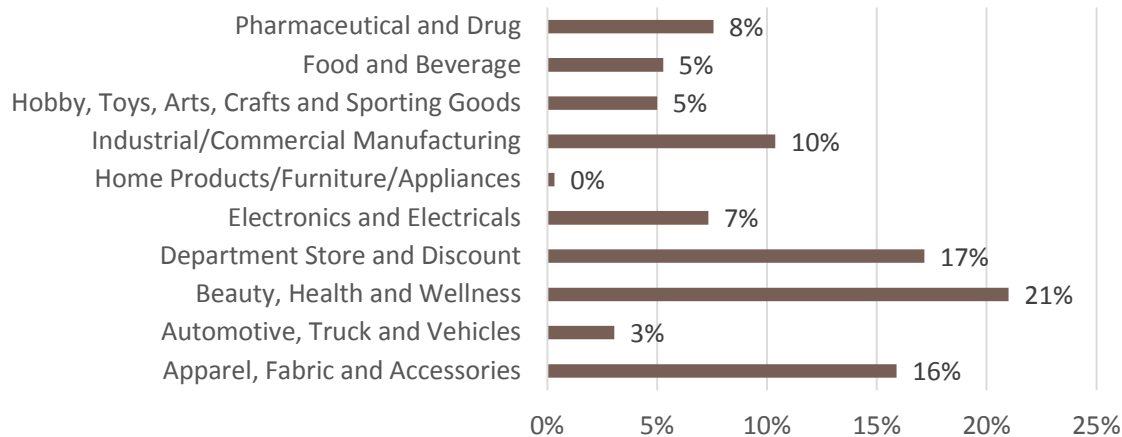


Inventory Carrying Cost by Region



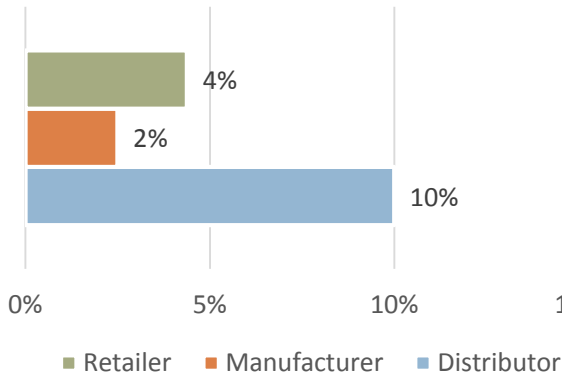
**Inventory Carrying Cost** is measured as a percentage of total supply chain costs. It typically includes warehousing costs such as rent, utilities and salaries, financial costs such as opportunity cost, and inventory costs related to perishability, shrinkage (theft) and insurance.

Inventory Carrying Cost by Industry

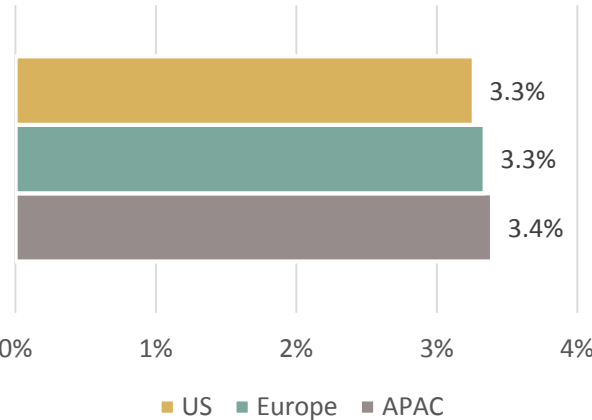


# Inventory Shrinkage Performance

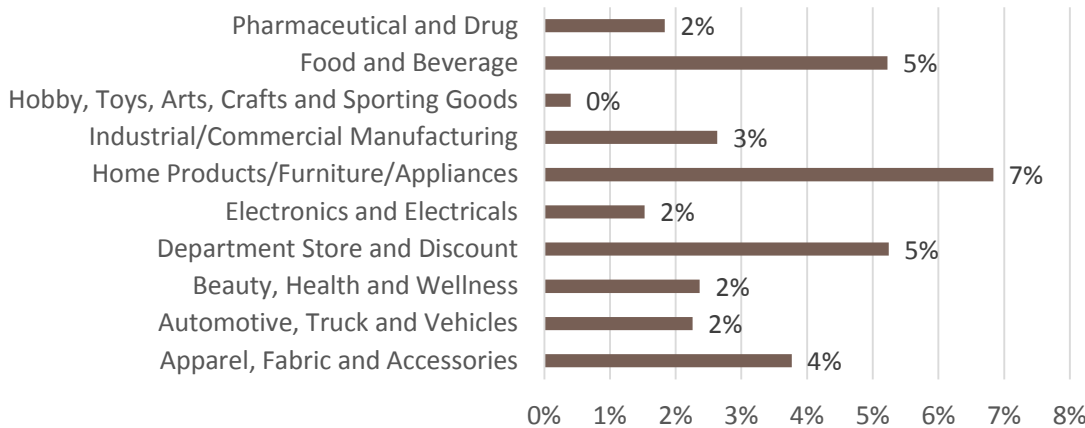
Inventory Shrinkage by Type of Company



Inventory Shrinkage by Region



Inventory Shrinkage by Industry



**Inventory Shrinkage =**  
Ending Inventory Value –  
Physically Counted Inventory  
Value.

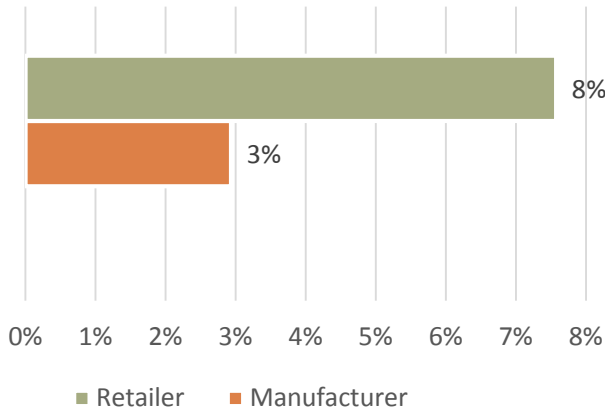
Shrinkage can also be  
expressed as a percentage,  
shrinkage % = shrinkage \$ /  
sales x 100.

The amount of shrinkage over  
the course of a year is an  
indication of the level of  
control over inventory levels  
and accuracy.

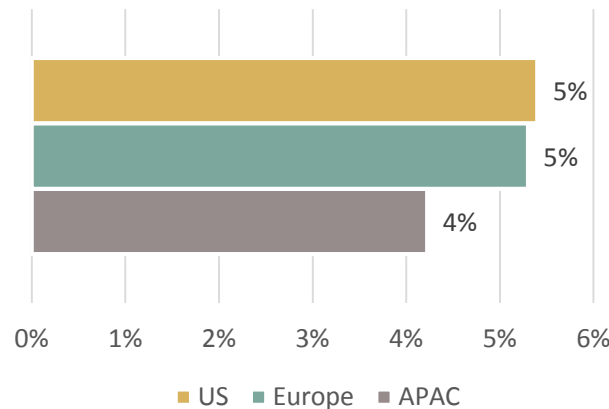


# Inventory Stock Out Performance

Stock Out % by Type of Company

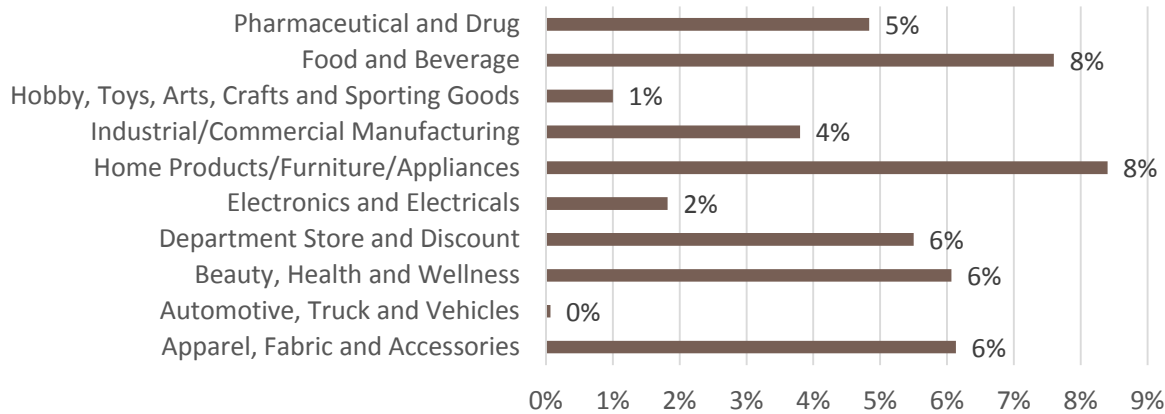


Stock Out % by Region



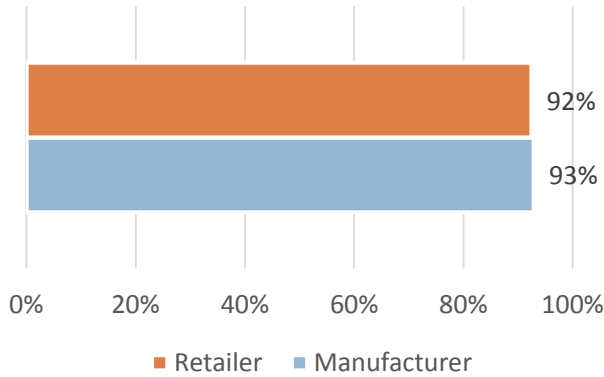
**Inventory Stock Out** is equal to order lines not shipped complete (not filled or partially filled) as a percent of total order lines placed.

Stock Out % by Industry

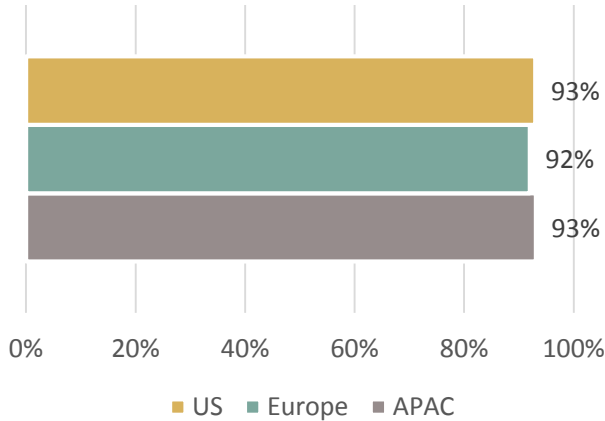


# Perfect Order Completion Performance

Perfect Order % by Type of Company

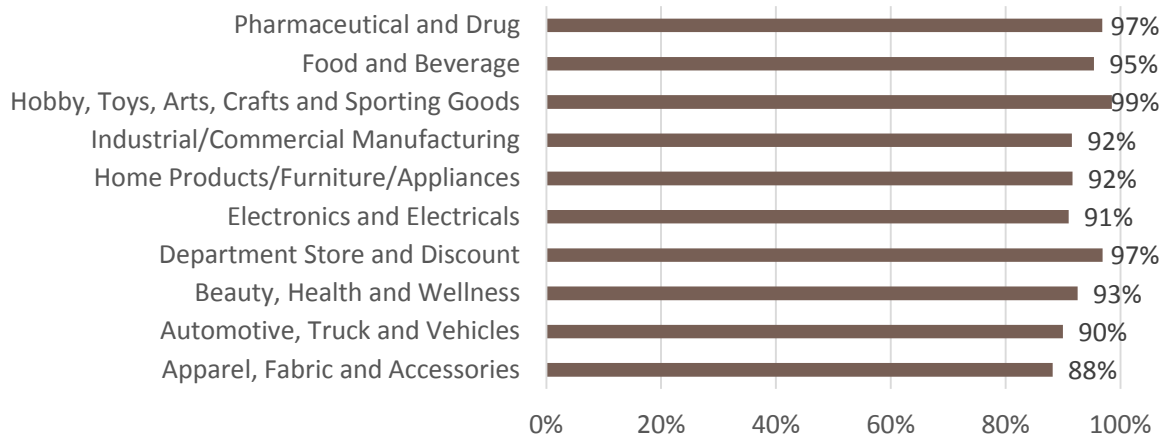


Perfect Order % by Region



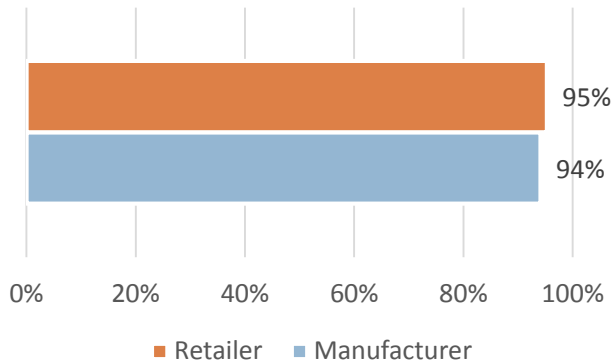
**Perfect Order Completion** is the orders shipped error free and on-time as a percent of total orders placed.

Perfect Order % by Industry

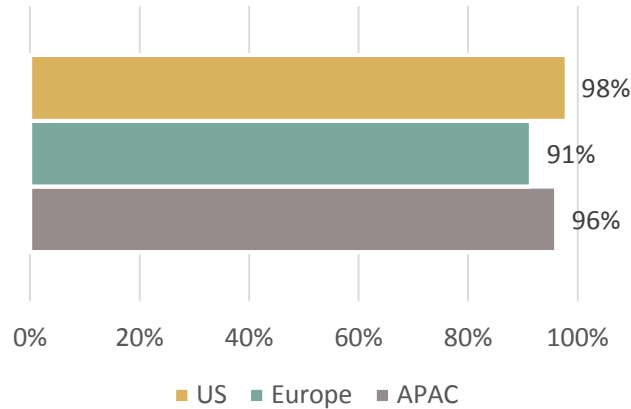


# Inventory Accuracy Performance

Inventory Accuracy % by Type of Company

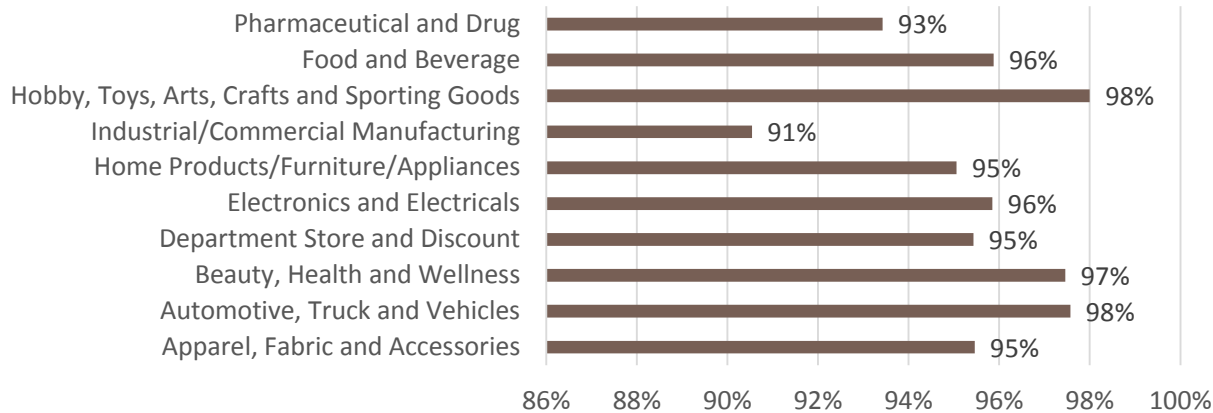


Inventory Accuracy % by Region

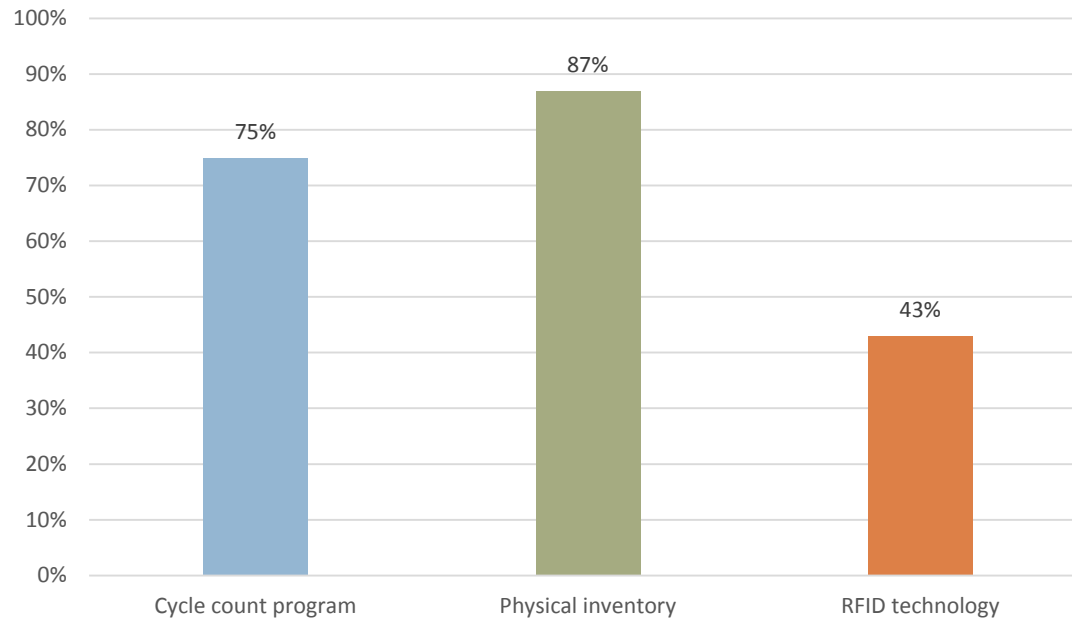


**Inventory Accuracy** is a measure of the reliability of the inventory on the floor against the inventory records. It is a critical measure of how well inventory is tracked and managed in an operation.

Inventory Accuracy % by Industry



# How is inventory accuracy maintained? (check all that apply)



- Cycle count programs are used by 75% of respondents. Cycle count programs are particularly popular in the US with 88% of respondents using them vs Europe 75% and Asia 68%
- A physical inventory is used by 87% of respondents
- Only 43% of respondents use RFID technology for inventory accuracy. The results vary by region with 56% in Asia, 49% in Europe and only 4% in the US.




# THANK YOU



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