Three Tips To Avoid Holiday Inventory Woes

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Few retailers appeared as desperate during the dismal 2008 holiday season as high-end retailer Saks, which resorted to discounts of up to 75% on luxury brands to move excess inventory. The fallout from this deep discounting continued into mid-2009 — as of June, company shares had lost nearly 70% of their value over the previous 12 months.

Saks was hardly alone last year. Retail holiday sales fell for the first time since the NRF started tracking the figures in 1992, and the bad news is that 2009 may not be any better. "This holiday season is going to be tough," Bill Harrison, president of software vendor Demand Solutions, told me. "People are tapped out. I look at apparel as a barometer for the U.S. economy; if people aren't buying clothes, they're not buying anything. And apparel is taking it on the chin."

Since retailers generate between 20% to 30% of their annual sales during the holiday season, they can ill afford a repeat of 2008 this year. The challenge is to plan well now to prevent holiday-season inventory problems later. More than ever, retailers must walk a fine line when it comes to holiday inventory management. Order too much inventory and you might be forced to relive the deep discounting disaster of 2008; order too little — in anticipation of a bad season — and you could end up with out-of-stocks and lost sales opportunities. Here are three inventory management tips you can use to make the best of the upcoming holiday season.

1. Right-size your inventory.

Day-Timer sells daily planners, portfolios, and other organizational tools online, via catalogs, and through retail stores. Like many other suppliers, it’s planning to cut back on its supply of products to retailers this holiday season. "We see a downturn — with sales percentages down by as much as the mid-teens," Day-Timer demand planning manager Steve Blasek told me. "A lot of our products are sold to white-collar workers, who are suffering now."

When planning holiday season inventory this year, factor in both projected customer demand and available supply. Inventory forecasting software can help you find the right balance between carrying sufficient stock to meet demand, and winding up with overstocked items and panicked promotions. Using retail-based algorithms, product sales histories, and promotional sales expectations, forecasting software can improve the accuracy of your inventory planning, improve your profit margins, and lower your carrying costs.

2. Optimize your multichannel fulfillment capabilities.

Analysts expect in-store inventory to be significantly lower this holiday season than last. If customers are looking for an out-of-stock item in your store, can you seamlessly redirect them to another channel, such as your website or call center? Unless your multichannel options are easy and effective, you risk alienating your customer base and inadvertently driving them to your competitors.

This is another area in which software tools can be effective, helping you maximize inventory visibility throughout the supply chain and enhance the integration of your multichannel operations. "Out-of-stocks are going to be higher this year," Sterling Commerce global retail executive Jim Bengier told me, "so
retailers need the integration to see where the inventory is and the ability to fulfill that request in order to save the sale.” Sterling’s Selling and Fulfillment Suite, for example, can help retailers control their supply chains by coordinating selling and fulfillment across channels and increasing visibility into inventory.

3. Create a contingency plan.

The recession is ongoing, and consumers appear entrenched in savings mode, but will that continue through November and December? What happens if the consumer spending rebounds before the holidays, or if demand for a particular product spikes higher than you anticipated?

Plan now to secure the financing needed to purchase more inventory, should the need arise. Obtaining credit may be more challenging than it sounds, however, given the recent woes of CIT Group, which provides financing to both retailers and suppliers. CIT may have staved off bankruptcy, but its struggles could still affect some 2,000 U.S. manufacturers and 300,000 retailers. Those who have relied on CIT in the past may also find tighter lending restrictions with other firms.

Choosing between out-of-stocks and extensive discounts is a retailer’s worst nightmare heading into the 2009 holidays. But by employing some smart inventory planning practices now, you’ll be better prepared for whatever the 2009 holiday season brings.

Fonte: By John Roach, Editor, Retail Solutions Online