Inventory Management Strategies to Help Your Business Grow

That you want to improve inventory management is like stating that you want to become better at boxing. What do you want to improve? Bobbing and weaving? Do you want to land stronger punches, work on your speed, or improve accuracy? Getting better at inventory management is a phrase that expresses your wishful thinking regarding the state of an umbrella term.

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Your objectives need to be more concrete.

Everything from how you procure, receive, and pile your supplies to your supply chain coordination and risk management goes under the umbrella term of inventory management. So, what do you want to improve?

Ideally, everything at the same time.

While this may sound a bit too ambitious, the truth is that it doesn't have to be the case. Here are several important inventory management aspects you could improve quickly and a couple of strategies that will **scale up your business**.

1. Demand forecasting, inventory planning, and procurement

While each of these fields may deserve an article of its own, it's not illogical to group them as the starting stage of your inventory management.

Regarding **space efficiency**, the optimal way to procure items would be to buy them so that the new batch arrives just as the old one is about to run out. This, however, is far from reliable and can turn out to be expensive.

The cost of supplies varies based on **the demand**. This is why; if you order a huge batch while the demand is low, you can save a fortune. This, of course, only works with non-perishables and in a scenario where you have proper conditions and enough space. Another problem with this approach is that you're tying up your capital. Sure, you would save a lot of money (on paper), but what if this unexpected investment puts your cash flow at risk?

This can be averted if you were to prepare for the scenario. By **analyzing historical data** and market trends, you may be able to predict when the demand will be low. If you secure the space and the funds for the purchase at that moment, you'll circumnavigate all the challenges and win big time.

Now, some are so obsessed with buying low that they completely ignore their enterprise's needs and **current inventory levels**. You can't allow your production to halt or your best-selling item to go out of stock just because you're waiting for a better price. What do you expect your customers to do? Wait for you to get the goods or buy someplace else? Trust us; this is a question that you don't want to wait for an answer to.

2. Inventory costing (valuation), receiving, inspection, and organization

Unless you're just building up your inventory for the first time, one of the things you have to do is evaluate the **current value of your inventory**. While this sounds like a straightforward practice – you calculate how much is the total cost of the product, in reality, things are far more complex than that.

In truth, there are several different methods of inventory costing. Some of them are:

- **First-in, first-out**
- **Last-in, last-out**
- **Weighted average**
- **Retail inventory**
- **Specific identification**
- **Niche inventory**

Each offers insight and helps you prepare for the next supply delivery.

You must be extra careful upon the reception and do it all by the books. You need to sign that you've taken over the shipment, but you must inspect the batch before doing so. This means that, at the supply reception, you need to have a competent team. You need someone familiar with the items in the shipment, someone with the capacity (authority) to accept and sign.

While you want to build trust with your **strategic vendors**, you must check whether you've got everything you've ordered. It's not that you suspect foul play; it's just that people make mistakes. Why not verify one more time to ensure everything is in order?

Upon reception, you need to unload and stock these supplies. This means you'll have to arrange for the team to do so quickly, efficiently, and orderly.

Your **inventory layout** is crucial, affecting your organization's efficiency. This closely ties into the valuation methodology that we talked about earlier. The first-in and first-out items must be deposed in the most convenient location. These are the first items you'll have to access, and you'll have to restock most often. Doing things this way save hours upon hours of unnecessary work.

3. Stock rotation and inventory optimization

If you have **perishable items**, you need to sell/use them before they expire. This means you need to order them regularly in a large enough stock to fulfill your needs but not so much that you have to waste from every batch.

You want to place a new order and for it to arrive before you run out of the previous one. The trick is that you don't do this too ahead of time because you may lack space for the new inventory. If we talk about perishables, you'll get a batch of new items whose clock is ticking before you've cleared the old batch. Sure, buying local products means you have more time, but more doesn’t mean infinite.

So, do you start selling the fresher stock or let it slowly degrade in quality while dealing with the leftovers from the previous shipment?

You’ll have **legal and ethical liability** if we discuss food, medication, etc. If you mismanage your inventory, you risk poisoning someone, which is the last thing you want on your conscience or your rap sheet.

Once you figure your way around the **stock rotation**, you’ve finally made a successful first step in inventory optimization. Next, you need to analyze everything (item by item) and see which are slow-moving, what are excess, and which items you could do without.

In a way, this process could help you optimize your offer better than just observing sales records. Analyzing the total cost of these **excess** items is even more effective. This will reveal how much capital you’ve wasted or tied down. If you’re feeling extra masochistic, you could convert this wasted/tied capital into your best-selling item and see exactly how big a mistake you’ve made.

4. Inventory reconciliation, audits, and employee theft

Just because a stock is recorded doesn’t mean that the recording matches the actual state of the inventory. **People forget to make entries**. They make a mistake while receiving goods and forget to mention that there was one package less than ordered. Sometimes, an item gets damaged, discarded, and not recorded.

Most often (and worryingly), items get **stolen or mishandled** by your staff. [Internal theft] is a huge problem because it will happen repeatedly until you notice it. The only way to notice it is to conduct an inventory audit and see what’s happening.

Another problem with employee theft is that **the situation will escalate** if you don't stop it in time. This is basic human psychology. After each successful attempt, they'll grow more emboldened and become greedier. This means that even if the initial situation is minor, you'll soon have a huge problem.

We're not just talking about the worth of these items.

If your **inventory is not matching the records**, you have a serious problem. You may accept orders you can't fulfill, permanently damaging your reputation with your customers. If you're running a manufacturing facility, you may plan an entire workday, assuming you have the materials.

Sure, it's possible to have **more items in your storage than expected**, but this is an incredibly rare occurrence. It is also not benevolent. A non-recorded perishable is a problem. Also, it means that you have less storage space than you think.

Ultimately, you must always know how many items you have. If the records don't match, you must rectify them and find the problem that caused this situation. Diagnosing the problem will give you better insight into how your business works.

Without adequate inventory management, you'll have no idea what's going on in your business

Your inventory management efforts can **reveal more about your business than any other form of analysis**. It tells you how well your sales are going. You learn which items outperform your expectations, and you determine if someone is stealing or mishandling the inventory (or the records).

Ecommerce Fraud Prevention Tips: Safeguarding Your Business in Inventory Management Strategies

As you focus on improving your inventory management strategies to grow your business, it's crucial to address the potential risks of ecommerce fraud. Safeguarding your business through effective [ecommerce fraud prevention tips]() is an essential aspect of inventory management. Protecting your inventory from fraudulent activities ensures the integrity of your operations. By implementing proactive measures such as verifying suppliers, conducting thorough background checks, and using secure payment systems, you can minimize the risk of ecommerce fraud. Monitoring transactions and staying vigilant are also key in preventing fraudulent activities. By integrating these ecommerce fraud prevention tips into your overall strategy, you can optimize your inventory management practices and protect your business from financial loss.

You can improve your inventory management strategy and use this to grow your business in several ways.

You need to learn how to predict the inventory-related actions that will be necessary in the future. You must find the best way to learn how to access the current value of your inventory. You need to plan your stock rotation (to maximize efficiency and value from your storage space). Lastly, your inventory and your records need to match.

All of this is a lot of work, but **you can't survive as a business without it**.

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