How Inventory Management Has Changed Over the Years

Table of Contents

Introduction

Retailers of all kinds, including those who sell strictly through online channels, have to take the issue of inventory management seriously. This is because it is the process by which a company maintains the optimum number of each product or item. This is not as easy as it might sound, and can be a "make or break" factor in any enterprise.

When we say the optimum number of any given items, we mean that it is not just a matter of "how many we need in order to meet customer demand". In most cases, it is also a matter of "how many can we afford to buy and allow to gather dust on the shelves if they don't sell" too.

Consider what one source says: "The objective of inventory management is to provide uninterrupted production, sales, and/or customer-service levels at the minimum cost. Since for many companies, inventory is the largest item in the current assets category, inventory problems can and do contribute to losses or even business failures."

While there are certainly ways of circumventing failure caused by poorly managed inventory, it pays to take this complete issue into serious consideration. It is not a problem or threat only to firms that use a lot of raw materials and a production process; it is a matter that can also cause financial problems for retailers as well.

After all, a firm that sells high-end electronics has to have ample amounts of stock on hand and available to buyers, but they must also consider just how much, and even when the market for the "latest" electronics may go stale. Plans for what to do with unsold stock also have to impact inventory management.

There are many aspects to inventory management, and in this guide we are going to first explore those key issues and then uncover how inventory management has changed over time.

The good news (though we don't want to spoil the ending!) is that most of the time-consuming and challenging tasks associated with it are now capable of being fully automated. Even the most difficult business decisions relating to inventory management can be enhanced due to improvements in technology and different services available to retailers of all kinds.

Let's first look at the basics of inventory management, and then see how modern advances have altered it and helped to reduce the risks that were once so easily created by even a single, simple mistake.

Section One

We have already seen a formal definition of inventory management, but let's reconsider it. According to experts, inventory management is the "activities employed in maintaining the optimum number or amount of each inventory item".

As such, inventory management becomes the process of constantly managing the flow of products into and out of the existing inventory. In the process, the person or persons in charge of it must not allow numbers to become too high or too low, and they must simultaneously consider the costs that are connected to inventory. These range as widely as the tax burdens of the goods, the deficits purchasing but not selling could create, and even the costs of keeping goods in the right conditions.

Clearly, it is no easy task, and is a huge reason that so many people show such a strong interest in becoming dropshippers.

This is an industry in which you don't manage the inventory in any way at all except to be sure that you have a reliable supply chain that can meet your demands at all times.

For example, a dropshipper may sell specialty candies and yet never keep a warehouse supplied with them. Instead, they can use software and online accounts to sell the candies and then place the order to the dropshipper who packages and sends the order to the buyer.

Advances in computer software allow dropshippers to even ensure that all packages arrive with their firm's logo and letterhead, even though they themselves never handled it!

Capable of being run with just a laptop, a dropshipping business still has some elements of inventory management, but rarely faces financial risks because there is almost no "overhead" or physical ownership of goods prior to their sale.

However, if you are a retailer and need to manage your inventory, you have to always be aware of:

❖ The length of time it takes to obtain goods from a supplier

❖ The length of time it takes for those goods to be transferred out of the inventory (sold)

❖ Knowing when to place orders and how much to order

❖ Understanding the appropriate amount of "buffer stock" (these are products that are beyond the minimum number needed to keep the business going, but not so much as to create financial strain)

5

- ❖ Keeping records of the numbers of goods ready to ship

- ❖ Calculating the impact of returns

Of course, this list represents only the basics, and you have to take into consideration that many online retailers are not operating a single channel or sales portal. Instead, they may be using a web store or site, selling through several marketplaces, using shopping search engines to sell, and even more. This is the modern trend of multichannel sales.

These innovations in retail opportunities are great for the vendors and the buyers, but they can vastly complicate inventory management. After all, in the world of online shopping, it is vital that inventory be as up to date and in "real time" as possible.

As an example, a vendor with an Etsy storefront, a website, and sales through Shopping.com and Amazon may find it remarkably challenging to keep track of the actual numbers of products they have available, how many their accounts show available on the different channels, and whether or not a product should appear at all.

In the past, opting to work across multiple channels meant tackling many different inventory management tasks on an individual, site-by-site basis. Fortunately, the advent of computer technologies has streamlined everything to ensure a much smoother workflow. Of course, that is only true if you actually use the technologies, and some online retailers remain hesitant to do so.

To understand the risks of this choice, let's look at the workflow and how it involves more than just basic inventory management tasks.

In the modern setting, someone who handles inventory management is likely going to be tasked with those steps already listed above, along with:

❖ Entering product information into the various channels,

❖ Tracking things like SKUs and barcodes (when needed),

❖ Overseeing stock levels,

❖ Ensuring that pricing is correct per different sales channels and according to any variations in the products (such as different sizes or colors, etc.)

Additionally, someone tasked with inventory management may also find themselves responsible for tracking shipping on top of everything else, and may even find it necessary to generate reports or make recommendations based on relatively complex data.

After all, sales data are not the same as accurate demand information. These are two very different issues, and quality inventory management does not use sales figures to manage effectively.

So, how can so many things be so easily managed, especially when so few retailers are using a single channel? Let's consider some of the biggest changes in inventory management in the past few years.

Section Two

The first, and biggest change to traditional inventory management has to be the computer.

7

Enabling anyone to manually enter in the inventory (using whatever system of numbering or coding worked best) and then manually adjusting with each sale, computers reduced things like the loss of stock, miscalculations, and inventory management to much more manageable sizes.

Streamlining workflow such programs allowed the people in charge of inventory management to generate end of the day updates and reports and know they had an accurate portrait for a single channel, such as a warehouse or store.

Within this past decade, however, enormous changes have occurred. For example, as one expert says: "In the past there was simply a lot of technology that was not correctly taken advantage of, or not fully developed enough to be of proper use. Older IMS tended to update on a manual sync, or a sync schedule, and could not very well keep up with multiple channels, multiple warehouses or fulfillment centers without a huge strain in communication."

The introduction of API technology and "autonomous synchronization" radically altered the entire situation.

API Explained

API stands for" application program interface" and it allows software components to easily and correctly interact with one another. In other words, the software that you might have been using in your warehouse or retail setting could now "speak" directly to software belonging to a website such as eBay.

Of course, this was not something that could be easily managed by a novice, but it was a giant step forward in managing multichannel sales on the internet.

The biggest benefit that came from the creation of such software was that it suddenly became possible to update your figures in real time. You could keep customers from making purchases that had to be altered because there was no actual stock available at the time of the order.

In other words, all of the "heavy lifting" and expense of inventory management was reduced to a much more cost-effective and accurate system with the creation of software that could link a company's computer directly to their different online channels.

Naturally, updates in real time were great, but without the means of assessing data and generating useful reports, the software was good only for handling inventory counts and updating channels. This is why another set of changes is so remarkably beneficial to such a diversity of retailers - large and small.

This set of changes has created many different software systems through which most online retailers can enjoy automation of almost all stock and inventory related tasks. Some are much more expansive and designed to handle web and mobile selling across many channels, and keeping data highly and tightly organized for efficiency.

One such software is Orderhive, and it is a good illustration of just how far inventory management has come in a short period of time.

The Latest Innovations

The need to control the rate of inventory updates in real time led to the option for autonomous synchronization. This makes it possible for many businesses to enjoy

multichannel sales without any mistakes. The software registers a sale on any channel and then updates universally across all.

As a basic example, you may sell through eBay, Etsy, and your website. You have a very popular product and within a ten-minute window, you sell twenty from eBay, seven from Etsy, and twenty-five through the website. The software understands this and adjusts the available levels according to those real time sales. It may even alert you if a specific threshold has been reached and your stock is at a critically low level.

Even more exciting is that some software allows you to use the data you have relating to your inventory management to set custom alert levels, and even trigger stock orders if desired!

However, software and inventory management systems have expanded to meet growing demands. You can now find higher end software and services that can allow you to enjoy a dashboard-like interface that shows you inventory and connects across numerous channels, updating instantly.

The very best inventory management systems also integrate additional features such as automated and intelligent shipping, ordering, tracking, and even more complex matters such as dropshipping or wholesale functions.

As an example, a vendor may have channels at Shopify, Amazon and Magento as well as their own shopping carts on a website or store. With the right software, they can track their inventory and orders, and send all of the appropriate accounting details to software such as FreshBooks or QuickBooks Online.

Additionally, because so many major shipping firms use the API technologies, some services and software also tie directly to FedEx, UPS, and other internationally recognized shippers. Packages can be tracked, and even returns can be processed.

Just consider that for one moment because it is tremendous! In the past, an online retailer had to budget a tremendous amount of time for order processing, acknowledgement, and then packaging.

This could mean logging into a channel like eBay to print labels and invoices and then heading to one or more other marketplaces or sites to print the necessary documents. It could mean struggling with shipping labels through different channels too, and only then getting packages on their way to clients.

After that you might also have to manually update inventory at those sites, and there was always the risk of human error. With the new workflow, all of these headaches can be erased.

What the Changes Mean for Retailers

In essence, all of these radical changes to inventory management tools and resources mean that any retailer of any size, can simplify "back end tasks". All of the small and yet incredibly relevant matters now take moments instead of hours.

No longer do retailers or online shop owners have to go to multiple websites whenever a sale is made, return processed, or inventory ordered. Instead, when they use one of the better software packages, they can just enjoy a rapid-fire and seamlessly integrated workflow. This allows them to expand their business without also expanding responsibilities at the same time.

11

After all, in the past, if you wanted to add a line of goods or products and expand into a new market, you might see your workload increasing along with the market expansion. Today, with autonomous synchronization and smarter software, you centralize inventory even as you expand channels.

You eliminate the risks of errors such as out of stock issues, inventory mistakes, and all other issues so commonly described as "human error". Fewer mistakes make your clients happier, and cuts down on your workload. This also gives you more time to look at how to grow the business.

The finest software packages also give you real time performance data that covers inventory and availability, but which also lets you look at orders, customer data that can enable better marketing, and even show you how to create effective promotions.

In Conclusion

As you so often hear, the future is now. This is remarkably true where inventory management is concerned. After all, if you choose the right software or service provider, you can easily grow your business.

Now that you have seen how quickly inventory management has changed from a mostly manual and labor intensive process to one that is capable of being entirely automated, you will want to explore the options available to you.

Be sure that your provider is extending a feature-rich package. Though something limited strictly to inventory management is incredibly useful, don't overlook the long list of tasks that most retail sites require.

As an example, having the opportunity to ship multiple packages from a single administrative panel can see you printing labels and invoices for dozens or even hundreds of sales with the click of a button. When something is returned, it can become a matter of simply using the return feature and inventory is then adjusted too.

Bookkeeping is also streamlined in this way, and you can focus on what matters most - growing the business and building relationships with your clients.

No one should ever think that owning a business is easy. That is often a recipe for disaster. However, with the use of modern software solutions that handle the biggest challenges of inventory management, building a successful, multichannel business is easier than it has ever been before.

It is highly recommended that business owners and online retailers explore options for software that provides the kinds of support and tasks essential to success. Start the process by investigating inventory management, and be sure it is integrated with the many sales channels and hundreds of shipping venues. It should allow you to track orders, better understand customers, manage issues like dropshipping or wholesale,purchases of inventory and even contacts and analysis. This is not "too much" for any package to handle and is something that the best services provide.

Explore the features of these software systems to discover how you can handle your inventory management with greater ease than you may have thought possible, and learn what advanced software solutions can provide to online retailers of any size.

The history of inventory management shows that business owners can grow online retail businesses, expand into new channels and even consider the remarkable benefits of dropshipping or even moving into wholesale! The evolution of inventory management has proven the effectiveness of software solutions, and not only can this cut down on mistakes and help anyone make well-informed business decisions, but it can enable us to take our retail businesses into directions we may have not thought possible.

<div align="center">Good luck!</div>

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