OUT OF **STOCK**
Everything *you must know*

FLOW OF CONTENT

Do you fear running out of stock? If the answer is no, then I guess you're already doing your **inventory management** efficiently enough. But if it's yes, then this article will shoo away your fear.

Being out of stock is apparently a good sign that your product is doing very well in the market. However, looking at it the other way round – you'll realize that it is making a considerable loss eventually.

A CNBC report estimates the total value of lost sales for retail businesses due to stock-out issues was **$634.1 billion in 2015**. If you are experiencing frequent out of stock, then it may demolish your brand trust and increase customer service costs.

Now calculate multiple "Reorder Points" with ease, using this ***free excel***.

So to keep your brand trust alive and lessen the other extra charges; let's see how you can-

- Avoid getting out of stock
- What to do if you went out of stock?

Avoid Getting Out of Stock!

Create an efficient re-ordering threshold

When it comes to inventory level, sellers often get confused about how much inventory they should keep avoiding getting out of stock. In that case, the re-ordering point comes into the picture.

The threshold of re-ordering quantity, also called the stock-out limit, is the least count of an item you must keep on hand at any given time. When inventory levels drop below the threshold quantity, you re-order stock to replenish your items on hand.

What inventory level would be optimal, it depends on several factors such as – demand forecasting, seasonal fluctuations in supply, running a promotional advertising campaign, the possibility of any external factor affecting the supply chain (like climatic conditions), reliability of the supply chain partners, and more. Therefore having an **inventory management software** that provides you the most efficient re-ordering threshold level can prevent your inventory from getting out of stock.

Do demand forecasting

Forecasting demand is as essential as keeping safety stock in your inventory. Demand forecasting lets sellers anticipate how much inventory to order and when. You can even leverage reporting and analytics tools to determine the stock level. Hence accordingly, you can plan your stock replenishment cycle to prevent going out of stock.

By demand forecasting, you can determine the re-order point by going off your sales history, current order quantities, and on-hand quantities.

For example: Let's say you have an ecommerce store of fashion apparel. And you forecasted demand by analyzing your past sales history of the holiday season that this time 15% more sales are being expected. So, you'll prepare your apparels' inventory accordingly, and the risk of getting out of stock would be minimized.

Automate Inventory Process

Gone are the days when retailers had to manually keep track of their inventory. Inventory automation process has got tons of benefits other than just preventing out of stock scenarios, here's few of them:

- It maximizes scalability
- Increases inventory efficiency and productivity
- Saves time and money
- Reduces human error

Inventory automation is now used by retailers and sellers for smooth operation. As the number of retailers and products is increasing in the market, the highly stressed human force finds it challenging to keep pace with the competency.
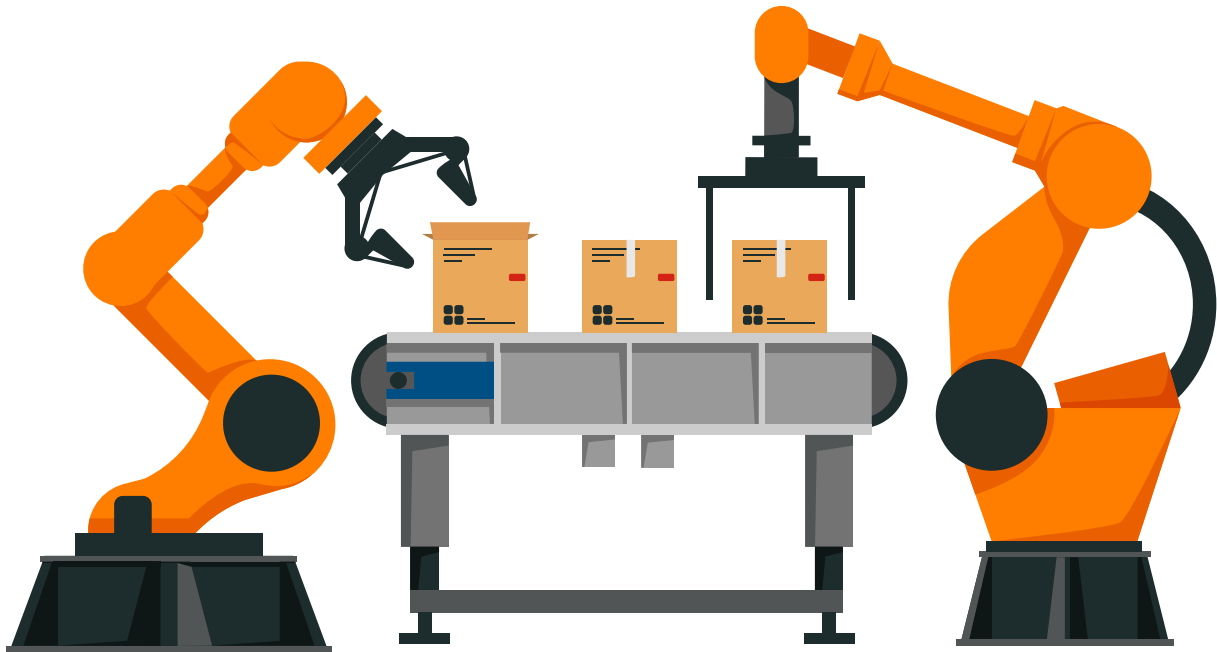
Having an automated inventory system ease a seller's life, as he/she doesn't have to worry about getting out of stock - because the inventory management software automatically re-orders the inventory, whose inventory level is low or has reached a threshold.

What to do if you go out of stock?

The above points were regarding how to avoid/prevent stock-outs. But what a seller would do when the selling product actually goes out of stock. Here are a few tips for tackling "out of stock" situations.

Tell customers where they can buy the item offline

For a multichannel retailer showing a message like **"This product is currently out of stock"** may turn off many online buyers. And there are high possibilities that he/she may never come back to your store again.

Also, online buyers are always desperate, if they don't find the product they are willing to buy, they search for other ways to get it immediately. So, make sure that you are not that one seller where buyers don't get the product – because your competitors are already waiting to grab each and every opportunity.

However, when the demand is unexpectedly high, and your online products may be unavailable on the website (due to delivery-guy shortage), but in stock at one of the physical stores -- during this type of cases, contact the online visitors via email or any medium and let them know where **they can get the exact product from physical stores near them**.

Halfords provides a good example here – the cycles are unavailable to buy online. Still, they smartly presented the option of **"reserving"** it and **"collecting"** in-store:

Never let your product page be down (404 error)

You must be doing social media advertising, or you might have come across many online advertisements. Just think of the scenario where you came across an appealing mobile ad, and when you clicked it – all you found is the view of big and bold "404 Error Page Not Found !".

Within a fraction of seconds, any visitor will close that tab. Trust me, this particular thing creates a very unhealthy impact on your prospective customers and even on Google's ranking factor.

Instead, the solution to this would be:

- Keep the page live and label the product as temporarily out of stock.
- Redirect the page to a relevant product (a post-redirect message will aid user experience).

Contact the former visitors when the product is back

If you think that it's a good idea to not show the out of stock product on the website - then you might be wrong. Because not displaying unavailable or out of stock items prompts customers to think that you usually don't sell or have the item, and they might not come back to check again.

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A patient shopper might be willing to wait for your product to restock, rather than heading to someone else (competitor). Ask for a little extra time from your customer, and a "your wait is over" email message, might ease the process of making them purchase your product.

Amazon and many popular ecommerce sites notify customers when the item is back in stock via emails. If you want to follow this technique, all you need to do is to capture the emails.

Show them similar alternatives to that product

The human mind is a complicated thing. It changes even when you don't want to. A consumer's purchasing behavior can always be manipulated. Offering similar product options may be enough to satisfy the customer and get them to buy something else rather than showing 'product currently unavailable.'

For example, you can do something like this: "Sorry, the black-cushion cover with the white-dragons design is currently out of stock, but we have the same cushion design in Red variant."

Push out-of-stock products to the bottom

It creates a negative image on the customer when they are interacting with your website for the very first time, and all they see is out of stock products. By using a smart inventory management software that automatically pushes out of stock products to the bottom of search pages and listing all the available items on the top may lead to fewer disappointed shoppers.

Items are never out of stock until dispatched

Inventory management means providing the required levels that can sustain businesses' daily operations at a minimal cost. This includes determining the levels of stock to order, when to order, allotting SKU's, inspection procedure and providing sufficient storage facility. With no accurate inventory management in place, arises out of stock scenarios.

Out of stock refers to scenarios when you have a product sell, which you cannot fulfill, or when you have lost a sale due to not having a product any longer can affect your brand's reputation severely and increase customer service cost. Therefore, to prevent such scenarios, it should be at the top of any company's priority list.

Out of stock is an unpleasant scenario for everyone in the ecommerce chain, and by following these steps to ensure that products are never out of stock until dispatched, you can enhance your inventory management capabilities too.

1. Decide the inventory tracking method

Tracking inventory can be done in many ways. You can either use several proven methods or create a version that works the best for you.

Types of inventory tracking techniques you can follow:

The simplest tracking method is visual control, which allows you to examine inventory visually, assess what you have in stock, and decide what more to order.

Tickler control, a method in which you can count your inventory in small quantities each day so that within a stipulated period, you can assess your entire inventory.

Tick sheets will enable you and your staff to record inventory you sell, distribute, or even use them as you remove them from the inventory. Always suggested keeping a tick sheet on a clipboard where your inventory is stocked(in your warehouse) so that it can be referred before re-ordering.

2. Use point-of-sale inventory management system

Point-of-sales inventory management system refers to the cash register or computer you use for check-outs at your business, keeps count of your inventory, and allows you to run reports end of business day, month, year, or any other stipulated time-frame.

3. Use multichannel inventory management agency to handle multiple warehouses

For retailers with multi-warehouse inventory, they can indulge with a multichannel inventory management agency that will count your stock, write the re-order and even remove and send back unwanted products to the manufacturer per predetermined arrangement with your company. This way, you save your time that can be utilized in other crucial business tasks.

4. Avoid out-of-stock scenarios from unexpected events

If you are retailers selling seasonal products, it is suggested to buffer stock of those products in case of prolonged weather events. This way, you prevent shortages from unexpected scenarios and satisfy your customers' needs all the time.

5. Organize regular cycle counts

Organized stock control leads to accurate inventory, and accurate inventory means no out-of-stock scenarios. Regular cycle counts will help you keep track of stock, in turn, maintain the state of inventory and warehouse.

Always recommended to cycle count quarterly, to minimize the time spent, effort shed with physical counts. This will also make for valuable information for tax calculation and for planning operating expenses each year.

Steps To Make Out-Of-Stock Fulfillment Processes Smoother

1. Having a great bonding with your suppliers

The foremost you would like to do is deal with suppliers who understand the situation of quick fulfillment and the importance of customer service. Knowing your suppliers well, you can take steps to build relationships and ensure they will be there for you in case of such stock out situations.

2. Ensure you have flexible suppliers

Building good rapport with your suppliers is a must. However, at the same time, you need to check on their delivery options. Dealing with suppliers who can allow immediate procurement and delivery, can help you overcome those ugly stock out situations and assure your customers will always receive delivery of the product they have purchased.

3. Have a close eye on dropshipping companies

Dropshipping has proven to be one of the most effective methods for retailers that not only allow them an ability to avoid the hassle of stocking inventory but also eliminates the worry of fulfilling your customer's orders. Having an eye on good dropshipping companies and developing a relationship with them will give you an ability to fulfill customer's orders even when you don't have stock in hand. A sound dropship management system in place will help you build a relationship with suppliers most simply and securely.

4. Communicate with your customers by adopting the latest technology

In most of the cases, you will have to re-issue orders due to no stock availability, and that can lead to an unexpected delay in delivering products to customers. Instead of keeping your customers in the dark, communicate it to them by offering notification on your website and include the estimated date of product availability. Doing this, your customers will be aware of the backorder while placing an order, and that it will be fulfilled at a later day. Shopify Backorder app is proving to be ideal for many retailers that alert customers about the backorder, which are displayed on products when your inventory is zero.

In the End...

To conclude, if you're an omnichannel retailer, there could be instances where you went out of stock. You can provide them clarity about what to do next instead of being sorry and apologizing repeatedly.

Be creative and innovative and try following the tips mentioned above to effectively handle the out of stock situations.

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