Why is Serialization Important in the Retail Industry?

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Introduction

In the retail industry, we manage our inventory by giving different SKUs for different products to make it distinguishable from other products in the warehouse. The practice seems fine and works for many business owners, but there's a catch. Not only SKUs, but you also need something more than that to keep track of each of your products from a particular SKU.

For example, if you are a mobile seller, and one day you receive a complaint from a customer that the cell phone you've sent to him/her is damaged or faulty and is asking for a refund and return. What will be the next steps from your side?
Of course, you will apologize and arrange a return for him and notify your manufacturer. But there are a certain number of questions that arise:

> 1- How will you notify the manufacturer exactly which product was damaged/defective from an SKU?
> 2- How to assure your manufacturer that the faulty product was the one that was recently sent by them and not from one of the previous stocks you had?

The point being, there could be an "n" number of products in the SKU, to distinguish them from each other, serialization is essential.

What is Inventory Serialization?

A lot of giant retail firms stress on serialization. For most cases in inventory management, the total quantity on hand of every inventory is the most critical piece of data to monitor. As long as you know how much of the inventory of each product comes in through the back door and out through the front, the inventory needs will be fulfilled. But what if it is important to track individual units separately?

Most of the time, giving SKUs to inventory doesn't fulfill the purpose of managing inventory. This is because a single SKU given to an inventory can contain multiple items of the same inventory.

Inventory Serialization comes into play here as it involves tracking inventory on a granular level by giving each item an individual distinguishable serial number.

When to use serial numbers

The short answer is, "It depends on a lot of factors." Implementing product serialization could be a massive challenge both in terms of finances and management of the operation, dealing with serialized and non-serialized inventory. Apart from that, you need to make up your mind first if you need to do inventory serialization.

Product serialization is generally used when items are more valuable. For example, if you are dealing with designer garments, laptops, jewelry, smartphones, etc. In these cases, you need an inventory management software that supports the functionality of serial number tracking.

If you are dealing with not so costly products, then it all depends on you. Serialization will help you, in the long run, in multiple ways as below:

Advantages of Serialization

Here are the top benefits of using inventory serialization for your retail business:

Theft protection

There is a fancy term known as inventory shrinkage. What it signifies is the difference between the inventory shown in records to the actual inventory at your warehouse.

The magic behind this mysterious inventory shrinkage is a notorious humane crime known as stealing or theft.

According to a [survey](#) conducted by the National Retail Security Survey (NRSS), retail thefts account for a loss of nearly $47billion per year.

Granular level inventory serialization is the key to prevent inventory thefts. This is because individually serialized inventory gives you the full transparency of your items during its supply chain.

Product Life Cycle

No product's life is infinite. After the launch of the product, the life cycle of the product starts. It consists of 4 stages, namely; Introduction, growth, maturity, decline.

Giving individual inventory serialization helps you to track down its product life cycle. This greatly helps in deciding when to get rid of the product in its decline stage before it goes unsellable or whether to raise its price because the product is in huge demand in its growth stage.

Getting to know the product life cycle of each item can give you a whole new level of analytical data that could be used innovatively to drive your business towards higher goals.

Discount

Discount is the heart of any retail business. It not only helps in customer retention but in customer acquisition as well.

According to research,

The survey found that 57% of shoppers now expect regular sales, though 38% say that constant discounts make a brand seem cheap and unfashionable.

Product discounts are based on how long the product has stayed in the market. The longer the product was in the market, the more the discount. Because, as time flows by, a new product comes in stock, and customers don't want to buy old products. Unless you give them a deal, they can't reject, i.e., discounts.

To find out which product items need to be discounted from an SKU depends on that item's product life cycle. Individual serialization comes into play here as it is easier to figure out which item could be categorized in discounted sales based on its product life cycle.

Quality Control / Recall Management

Imagine the colossal damage to your brand image when you found out that all of your XYZ products are defective. You know that when you ordered the products from your supplier, they were at their finest qualities. So, it is evident that your organization causes damage.

Without inventory serialization, there is no way of finding the culprit. Because without inventory serialization, you won't know where the item is coming from. It could be from the company's main warehouse or one of the many area warehouses across the country.

Serialization comes in handy for quality control and to prevent such irreversible catastrophic disasters.

Warranty

If you are in the domain of electronics retailing, you must deal with the product warranty. Different items could have different warranties. For the items of the same SKUs, warranties may differ based on the product's life cycle.

Individual serialization makes it possible to track down the inventory and cross-check if the customer who is demanding the warranty holds such authority or not?

Product Ownership

A customer comes to your store and returns the product claiming it's not a quality product. How can you assure that the item the customer brought to you has indeed been purchased from you and not from somewhere else?

SKU is only the measure of the type of items and how many items of that type you have in store. It has nothing to do with "whether the item is authentic or a duplicate."

In order to safeguard yourself from such incidents, individual inventory serialization is the key.

When should inventory serialization be avoided?

You should avoid inventory serialization for homogenous products that are cheap. In such scenarios, there is no need to identify each and every unit of inventory.

If the item produced does not come with some underlying liability concerning its usage, then it is not necessary to determine the ownership as well. In such cases, inventory serialization is not required.

Full blog

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