

# FIXING THE MOST COMMON INVENTORY MISTAKES



**Look familiar?** These three common inventory planning practices cause more headaches at a time when you need solutions – not more questions left unanswered! Here's why and what you can do about it.

1

## Using ERPs or Spreadsheets

Generalized business tools are no match for the complexity and intricacies of inventory across different stages and nodes of the network, especially in today's dynamic and complex supply chains.

2

## Focusing on Cost

Inventory has a cost. But it also contributes to efficient and reliable supply, such as using cycle stock to meet typical demand. Cutting inventory can mean missing opportunities and disappointing customers.

– Gartner

**60%** of supply chain professionals admit that their supply chains have not been designed for resilience, but cost-efficiency.

3

## Thinking Short-Term

Changing suppliers or renegotiating for preferential pricing can sacrifice quality, service, or flexibility. This in turn reduces the flexibility of your network.

– 2022 Annual 3PL Study

**62%** of shippers say supply chains have become too lean, taking out too much in an effort to reduce cost and on-hand inventory.

# SMART SOLUTIONS FOR GREATER INVENTORY VALUE

1

## Leverage Technology

Advancements in software and techniques such as machine learning mean more holistic, nuanced approaches to inventory are now within reach for all size organizations. Key features of a well-designed end-to-end **supply chain planning platform** with a strong inventory application include the ability to:

- Use your inventory to optimize capacity and materials supply
- Synchronize the timing of your inventory decisions to balance risk with reliability
- Differentiate and adapt priorities and tactics based on your demand channels and segment your demand

– PwC

**31%** of organizations are extending tools to better understand customer demand.

2

## Balance Service and Cost

Use a strong inventory application to evaluate all the complexities of cost-to-serve scenarios and tradeoffs. For example, tap the software's logic to determine the optimal service level versus working capital using inventory/service trade-offs at any level of detail, including family and individual items/SKU.

– PwC

*“The historical equation of balancing cost and service—which drove supply chain metrics for several decades—is moving to a more holistic approach, with companies now analyzing the overall customer fulfillment experience.”*

3

## Plan for the Long-term

Look at the impact of decisions over expanded time windows to get a more accurate take on big-picture effects.

For example, instead of boosting safety stock as a hedge against demand uncertainty, use advanced inventory management software to strategically position buffer stock across your network.