



Unlocking Inventory's Potential

Fundamentals and Advanced Techniques of Inventory Management

Part II: Leveraging Technology for
Inventory Management

INTRODUCTION

When it comes to inventory management, technology can go a long way toward improving operational efficiency in your convenience or retail store(s). By leveraging the right technology solutions, you can accurately monitor and manage inventory in real-time, reducing human errors as well as shrink and spoilage. Retail software systems can also guide you in making smarter decisions about inventory levels and product mix, helping you increase your bottom line by avoiding under and overstocks and increasing product turnover.

In this white paper—part two of a three-part series—we review three types of inventory management technology, explore how managers and owners use technology to their benefit, and provide tips on how to assess potential software solutions you may be considering for your store.



TYPES OF INVENTORY MANAGEMENT TECHNOLOGY

1. Back-office Systems

Back-office systems offer a variety of features that simplify store management and operation. The best back-office systems streamline all information into one central, easily accessible location, including your inventory, price book, reporting, promotions, lottery, buydowns, and more. They also can and should integrate with your POS systems, accounting packages, fuel, merchandise, and data suppliers to further increase operational efficiency. With the advent of cloud-based software, many systems now allow you to oversee store operations from any computer or mobile device.

For inventory management, back office systems can make it faster and easier to track current inventory, forecast future needs, and optimize your product mix to support revenue growth.

Forecasting Future Need

Even for the most experienced store operators, forecasting is no simple task. Accurate forecasting requires extensive data and analysis, human errors are common, and the stakes are high. Order too much and items sit on your shelves, tying up valuable space and precious capital, eventually leading to spoilage or shrinkage. Order too little, and you lose out on sales and disappoint customers who may not return to your store, especially if popular items are consistently out of stock.

Back-office systems can help you to determine your optimal in-store and forecourt inventory based on sales performance and historical data. Combining this information with knowledge of your current inventory status and vendor delivery schedules, your back-office software can recommend timely, strategic purchase orders for you to accept and place. As product demand changes with consumer taste, seasonal shifts, and more, your back-office system can guide you to respond appropriately with adjustments in your next inventory order.

SIDEBAR: According to NACS, the average weighted in-store inventory in a c-store is \$81,493. How much money is sitting on your shelves? (1)



Inventory Tracking and Issue Monitoring

For current inventory, you can use back-office software to track items by category, department, price group, promotion, tag, or risk level. At any time, you can recalculate the value of your inventory and whether any items may be over- or under-stocked. Using a back-office system also makes it easier to track manual inventory audits and cycle count tickets. When these or other activities reveal product shrink, you can then delve into item-level reports to investigate the cause and determine how to address the issue. Furthermore, back-office software can help you find and quickly correct inventory purchase, fulfillment, or vendor invoicing errors.

For convenience stores, back-office systems can produce fuel inventory reports that track historical and current fuel cost, sales, and margins. Such software can also automate aspects of BOL and invoice entry and then adjust fuel inventory volume, purchases, and pool margin calculations based on approved invoices.

SIDEBAR: Tracking fuel margins can be critical to your success. NACS reports that as much as 69% of c-store sales are attributable to fuel transactions—with the average pre-tax profit around only 5 cents per gallon. (2,3)

Optimizing Your Product Offering

Your inventory turnover ratio and profit margin should be continually monitored and compared with industry averages so you can optimize your product mix and pricing. Without a back-office system, this would be a tough, time-consuming task. However, the use of systems and software for automated tracking of profit margins at store, category, and item-level can pinpoint inventory and pricing issues immediately, identifying low margin items as well as your lowest cost suppliers.

In addition to finding low margin items, software can identify fast- and slow-moving stock and even dead inventory that may need to be moved to another store location where that item is more popular. Equipped with all this information, you can weed out slow-moving and low-margin items, shifting your product mix to faster-moving, and higher-margin products to boost inventory turnover and profit.

SIDEBAR: Do you know your current turnover ratio? NACS data shows that c-store inventory turns an average of 11.5 times per year. (1)

2. POS Systems

Point-of-sale (POS) systems are another important technology in inventory management, automatically updating your inventory numbers as sales are completed to allow up-to-the-minute reporting. With most systems, you can also set alerts to trigger when inventory is low. By capturing a detailed sales history that can then be analyzed with your back-office system, you gain valuable information, including what products sell best at what times and what promotions move product fastest—knowledge you can later use for forecasting and guiding future purchases.

Another important benefit of POS systems is that they can provide an audit trail for investigating errors or theft, with tools for tagging and tracking high-risk events such as no sales, refunds, voids, and cancels. Because lottery tickets can be a particularly high-risk item, it is recommended to use a POS system with lottery management features that include early theft detection and alerts based on serial number tracking. POS systems can also help you decrease risk and enforce compliance around FNS and age-restricted sales.

POS systems become the most useful when they work as part of the connected retail ecosystem within your store. This means your POS system should seamlessly communicate with your analytics, foodservice, back-office, loyalty, and forecourt systems to streamline data transfer and ensure all systems have current and consistent pricing and inventory details.



3. Handheld Scanners

Handheld scanners are a simple but essential tool that can help you conduct and record your necessary manual inventory counts faster and with fewer human errors, shaving hours off your total time. Scanners can also be valuable as you receive and add in new inventory items. When purchasing scanners, consider the type of barcodes you'll be scanning, typical distance from barcode to scanner, battery life requirements, and durability.

WHAT TO ASK WHEN EVALUATING INVENTORY MANAGEMENT TECHNOLOGY

- Is the solution cloud-based or on-premises?
- How can I access these tools when I'm away from my store or computer?
- What safeguards will ensure my data is secure?
- How will my data be saved and backed up?
- Will this integrate with my current systems or other industry systems?
- How will this support inventory tracking, forecasting, and issue prevention?
- What type and level of inventory reporting is available?
- How quickly can I realize ROI on this investment in new technology?
- Can I use this for managing across multiple stores?
- Is a demo available so that I can see ease of use and key features?
- What time and effort is involved in setup and implementation?
- How are first-time users trained on this software?
- What kind of customer service and technical support is available?
- What is required to maintain and update this technology?
- What role-based access controls are included?
- Are client case studies and/or references available?
- What is the pricing model associated with this solution?

CONCLUSION

To maximize profit and operational efficiency, technology should be a key part of your inventory management processes. Implementing and integrating back-office and POS systems, along with using handheld scanners, will allow you to boost inventory turns, reduce human errors and theft, and improve inventory tracking and decision-making with detailed documentation and current data.

In the upcoming third part of our white paper series on Inventory Management, we'll explore the power of analytics to give retailers new insights into when and how theft and errors occur, enabling detection, correction, prevention, and verifiable proof. Visit <http://www.petrosoftinc.com/> for more information.

RESOURCES

1 "Make Better Decisions for Your Store Shelves", Convenience Store News, October 24, 2016, <http://www.csnews.com/single-store-owner/experts/make-better-decisions-your-store-shelves>

2 "The Fueling Industry at a Glance - 2017 NACS Retail Fuels Report," NACS, March 13, 2017, <http://www.nacsonline.com/YourBusiness/FuelsCenter/Documents/Industry-glance.pdf>

3 "How Convenience Stores Work," NACS, February 2017, <http://www.nacsonline.com/YourBusiness/Refresh/Documents/How-Stores-Work.pdf>

ABOUT PETROSOFT

Petrosoft's founder is a retail operator and engineer who initially developed a cloud-based back-office software solution in 2002. Today, the company provides a platform, integration options, software, hardware, and services.

The company's out-of-the-box and custom integration options, technology, and services are designed to take advantage of advances in technology, leverage legacy systems, leverage industry partnerships, address changes in consumer demand, and enable seamless connections within today's retail ecosystem.

The company's technology is positioned to deliver a measurable return (ROI) to retailers since it is focused on where sales and profits are realized, within day-to-day operations. The company continually strives to create innovative solutions, enabling retail operators to manage their on-site and back-office operations more efficiently. Retailers can use these solutions to decrease risk, leverage legacy, data, and systems, as well as to optimize inventory, productivity, sales, profits, and margins.



Petrosoft Inc.
2025 Greentree Road, Pittsburgh, PA 15220
412-306-0640
www.petrosoftinc.com

Copyright © 2016 Petrosoft INC. All Rights Reserved.

Trademarks are the property of Petrosoft and the respective companies. Patents pending. Specifications are subject to change without notice. Petrosoft is not responsible for errors and omissions. Petrosoft makes no warranties or commitments concerning the availability of future products or versions.