

The Five Best Practices of Inventory Leaders



Inventory optimization strategies and practices can vary dramatically from company to company. Those who manage inventory most effectively are able to provide superior service levels at a lower overall cost to serve. Here's a quick overview of some of the leading practices.



How Do Your Operations Measure Up?

Inventory optimization strategies and practices can vary dramatically from company to company, and even between divisions and distribution centers within a company. Those who manage inventory most effectively are able to provide superior service levels - which their customers take note of - at a lower overall cost to serve. Here's a quick overview of some of the leading practices that we've helped clients implement. For a more

detailed analysis of your inventory planning, scheduling and control processes, check out the [TBM 10-Minute Inventory Performance Assessment](#).

Free Online Inventory Assessment

10 Questions for Best-in-Class Inventory Performance

Our quick online inventory assessment reveals how your company stacks up and provides thought starters to help you drive towards an optimal balance of inventory and service levels.

[Read it now](#)

1. **Superior Performers Review Their Inventory Model Regularly**

Leading companies review their organization's inventory model periodically – as often as every three months – even if it is just to confirm that no changes are required. The exact frequency varies based on inventory volatility and velocity. For companies shipping seasonal goods direct-to-store and/or direct-to-consumers – particularly retail and wholesale distribution businesses – more frequent, monthly reviews might be necessary. Such reviews enable distribution operations to respond cost effectively to changes in customer demand, planned promotions, unexpected supply chain disruptions and other occurrences.

2. **Leaders Respond Quickly to Any Channel Disruptions or Customer Issues**

Responsiveness starts with inventory visibility and alerts that notify managers of problems that need to be addressed. But it goes farther than that. Industry leaders leverage the capabilities of inventory management tools to run “What if?” scenarios and evaluate potential solutions to issues before they occur. Such practices enable companies to respond proactively to future events, to optimize changes to the planning horizon, and better meet customer service level expectations.

3. **Operations Leaders Are Fanatic About Optimizing Inventory Locations**

Identifying optimal inventory locations in today's dynamic economic environment requires a multi-dimensional approach. Periodic re-slotting exercises improve labor efficiency at the pick face. At a higher level leaders use sophisticated multi-echelon inventory optimization tools to establish optimal inventory policies by SKU and location across the supply chain. Differentiating volume by customer, location, industry vertical and other factors, better positions inventory to support order fulfillment and improve service levels.

4. **Top Inventory Managers Use Safety Stock Strategically**

There will always be a need for safety stock at different points in the supply chain to manage demand volatility. Leaders deploy advanced postponement strategies at critical nodes to delay committing inventory until the latest possible moment. Such an approach extends pull system capabilities to further enhance demand responsiveness and reduce obsolescence. ç

5. **Best-in-Class Companies Assign Responsibility**

No area of any business performs well unless someone takes responsibility, especially for processes that cross departmental boundaries. Leading companies assign a single inventory owner at the enterprise, division or business unit level. A single owner ensures that the right contributors, inputs and analytics are built into inventory management practices to ensure repeatability, scalability and continuity. Sales and marketing, in particular, must be engaged and share ownership for service and cost performance. These are just some of the leading practices of inventory leaders that drive superior customer service levels and lower management costs.

As noted above, for a more detailed review of your inventory management performance, see the [TBM 10-Minute Inventory Performance Assessment](#) to receive a quick overview of how your practices compare.



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Ken Koenemann leads TBM's Supply Chain and Technology practices and is currently leading new product development for TBM's proprietary software business, Dploy Solutions.