Inventory

The Beginner's Guide to Inventory Management Software

extensiv

Why you should care about inventory management

Currently, the inventory management space is saturated by systems that either break down at lower order volumes or become too complex to manage at higher order volumes. Frustrated by these options, many successful brands are turning to complicated enterprise management solutions that take up to a year to implement (and sometimes longer).

These solutions are just not designed for modern D2C brands. In the second quarter of 2019, Netsuite lowered the revenue for its target customer from $500 million to $200 million.

Between these two ends of the spectrum, operational nuances can make or break a business.

Content Editor

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PART I:

What is Inventory Management Software?

Inventory management software can be used to perform a variety of vital business operations for retailers and D2C brands, including:

- **Assigning fulfillment operations**
- **Automating replenishment and purchase orders**
- **Automated delivery of customer orders**
- **Tracking stock across warehouses**
- **Syncing order data from every sales channel**

In addition to automating operations, IMS can also generate documentation for work orders, shipping, and invoicing. Traditionally, inventory control was carried out with manual documentation processes and complex spreadsheets. These outdated systems couldn't support the hyperfast growth of today's multichannel brands, so modern inventory management software was developed to manage these multifaceted back-office activities.

Through automation and data-powered software, brands can streamline their supply chain and take control of their physical and e-commerce retail operations. By optimizing inventory allocation and fulfillment strategies, brands can increase the profitability of both brick-and-mortar and e-commerce channels to gain a competitive edge in today's modern commerce ecosystem. From order management to asset tracking and product identification, failing to adopt inventory management software could cause costs to spiral out of control and operations to fail.

No matter what your business sells, whether your products are seasonal, perishable, or customizable, inventory management could be all that stands between your brand and unlimited growth.

For many businesses, inventory management brings on feelings of exasperation. If there isn't a suitable system in place, you could find yourself counting and recounting stock in an endless loop trying to reconcile inventory data, and relying on complex spreadsheets to manage orders, returns, and international shipments. Inventory management isn't just about the stuff you sell. It's also about taking stock of your cash, labor, and your company's assets. It ensures your business has exactly what it needs when it needs it.

Inventory management isn't just about the stuff you sell.

It's also about taking stock of your cash, labor, and your company's assets. This makes it massively important because it ensures your business has exactly what it needs when it needs it.

How does inventory management software work?

Inventory management doesn't have to be frustrating if you understand the fundamentals. At its core are SKUs, barcodes, RFIDs, and other unique identifiers that communicate information about your products to customers, sales channels, and inventory management systems. By understanding how products move from the manufacturer to a warehouse and through a shipping provider to your end customer, you can ensure a more seamless customer experience. Monitoring which merchandise sells the fastest, and which products are taking up space on warehouse shelves, can inform stronger business decisions and increase profitability.

Optimized inventory management means knowing what you have, where it is, and when more stock is coming in.

The best inventory management software will analyze your sales data and make recommendations on replenishment and channel allocation. Some, like Extensiv Order Manager, will automate your re-ordering processes by creating POs based on lead times, sales velocity, and other selling variables like seasonality or exclusive promotions. Efficient replenishment allows sellers to maximize sales opportunities, prevent overselling, and avoid fees from marketplaces that arise from the inability to fulfill orders due to inventory restrictions.

Think about how you currently manage replenishment and vendor relations. Could that process be improved with better data and automation? If so, consider a new inventory management software.

Inventory management decreases costs from excess inventory, prevents over selling, ensures timely order fufillment, and improves brand reputation.

The trends redefining inventory management

Inventory control is a frequent target for change when it comes to implementing new technology for e-commerce brands.

When companies rush to adopt the latest inventory management strategies, the impact can reach across departments and can change the face of their operations. Like any software, it's essential to familiarize yourself with the basic functionality before you look to add any technologically-advanced features.

Here are the latest trends that are inspiring businesses to reevaluate their inventory management processes.

Omnichannel Sales and Stock Control

For retailers and e-commerce companies, inventory control software is becoming a core component of business management thanks in part to the increase in sales channels used to reach end customers. More sales channels only add more complexity when trying to maintain accurate data across warehouses and fulfillment.

Streaming Analytics

Big data is disrupting businesses and consumers like no other digital development and inventory management software is a vital source of data collection and management. By having access to incredibly accurate sales and inventory data, business owners easily identify trends, sales habits, and make improved suggestions for upselling and cross-selling.

Sales Forecasting

You need products to be available when a customer is ready to purchase. Being able to predict those purchases is a core component of your sales strategy and that means having the best data available to make those forecasts. Leveraging the data provided by your inventory software, it's possible to avoid stockouts and make increasingly sophisticated predictions based on real-world data.

Artificial Intelligence

By utilizing both inventory control software and AI, it is very simple to create recommendation engines that will adjust your inventory based on seasonal fluctuations or even changes in weather.

Who should use inventory management software?

For many businesses, stock on-hand is their most valuable asset in terms of the cash value and its intrinsic value for generating profits and customer loyalty.

Brands should consider adopting inventory management software if they:

- Frequently run out of stock
- Struggle with managing customer orders
- Waste time on manual stock control
- Are scaling a business faster than expected
- Have frequent workflow or supply chain interruptions
- Sell on multiple digital and brick-and-mortar channels

With the ability to improve overall efficiency and supercharge growth activities, it's no surprise that more businesses are adopting the use of inventory control software. When such a large part of a brand's budget is always in flux, having greater control over stock levels and ensuring the smooth provision of products for consumers is essential.

Failing to make use of the right software can lead to lower efficiency, fewer sales, and overspending on inventory items that you don't need.

PART II:

Benefits of Inventory Management Software

When you integrate inventory management software into your business management processes, you take greater control over a critical area of your business. Regardless of sector or industry niche, it's becoming an essential requirement for brands of all sizes and sectors.

Inventory management software has become a vital component of multichannel retail operations.

The right software will support inventory, shipping, warehouses, and vendor management, which collectively benefit sales, customer loyalty, and long-term growth.

What can inventory management software do for your business?

Efficiency and Productivity

Many current IT systems were designed, built, and sold to businesses before omnichannel commerce took off. This new method of retail means more touchpoints for consumers, multiple fulfillment and return points, and more sales channels to manage. If your IT systems cannot handle the demands of the omnichannel experience, then you will be limiting your ability to sell.

Access and Flexibility

A cloud-based inventory management system gives brands the foundation and flexibility to expand into new channels. Cloud-based platforms make updates instantly available to all users without impacting their service. A network-based solution is also better equipped to handle information processing, performance monitoring, and the execution of business strategy. With a cloud-based system, it's easier to integrate additional services to customize the experience even further.

Customer Satisfaction

Inadequate inventory and order management can impact your customer's experience by preventing the timely fulfillment of their orders. On the front end, stockouts will not only affect your profitability but your brand loyalty by forcing customers to shop elsewhere. By unifying your view of inventory, suppliers, and fulfillment centers, it becomes much easier to anticipate and react to unexpected fluctuations in velocity.

All businesses need an efficient inventory and order management strategy that prioritizes customer satisfaction and balances the budgetary restrictions of robust multichannel, multiwarehouse operations.

Why is effective inventory management important?

New Sales Channels

Over the past couple of years, multichannel expansion has emerged as the gateway to new audiences. But, as customers gain more control over how, where, and when they purchase, it becomes difficult for brands to control their presence across each channel. Legacy software can slow down these updates, skip orders altogether, and skew the view of your available stock. Without an IMS that aligns with your growth plans, you'll find it difficult to serve customers on marketplaces, big-box retail stores, social platforms, pop-up locations, and more.

Healthy Stock Levels

Your products are the core of your business. Efficient stock management ensures you place purchase orders on time, and that you maintain healthy inventory levels across your fulfillment centers. The longer a product stays on your shelf, the more likely it will become obsolete and cost you more money in storage fees. For retailers with perishable products overstocking leads to spoilage and waste, but too little stock and you risk disappointing customers and losing revenue on missed sales and marketplace fees.

Automation

With the right inventory software, automation can be used to help determine cost-effective shipping rates, generate documentation for both international and domestic orders, and support replenishment by generating purchase orders once stock levels reach a minimum threshold.

Global Visibility

Cross-border commerce has become as ubiquitous as cross-channel commerce. You may not be aware of the vast potential outside of your current market, but you must be prepared to manage operational logistics on a global scale if you decide to expand. Suddenly your sales need to be converted into a new currency, customs documentations need to be printed and included with each order, and international 3PLs needs to manage. An IMS will provide global inventory visibility by having your international warehouses and 3PLs synced with domestic operations, making it easier for consumers to order and receive products directly from anywhere.

What areas can you improve with the right software?

Using the right software allows you to take far more control over your business. It can also be used to make improvements to your existing business structure. Taking charge of you inventory with the right software will help with:

Customer Success

Analytics provided by your IMS can help you identify buying trends and improve personalization.

Forecasting and Planning

Forecasting is about more than just sales figures. The right software can help you predict emerging trends based on key identifiers and in-depth data.

Profitability

Using accurate data and analytics that reflect the cost of goods sold, sales velocity, and aging helps you identify areas to cut costs or have with opportunity for growth.

![extensiv logo]
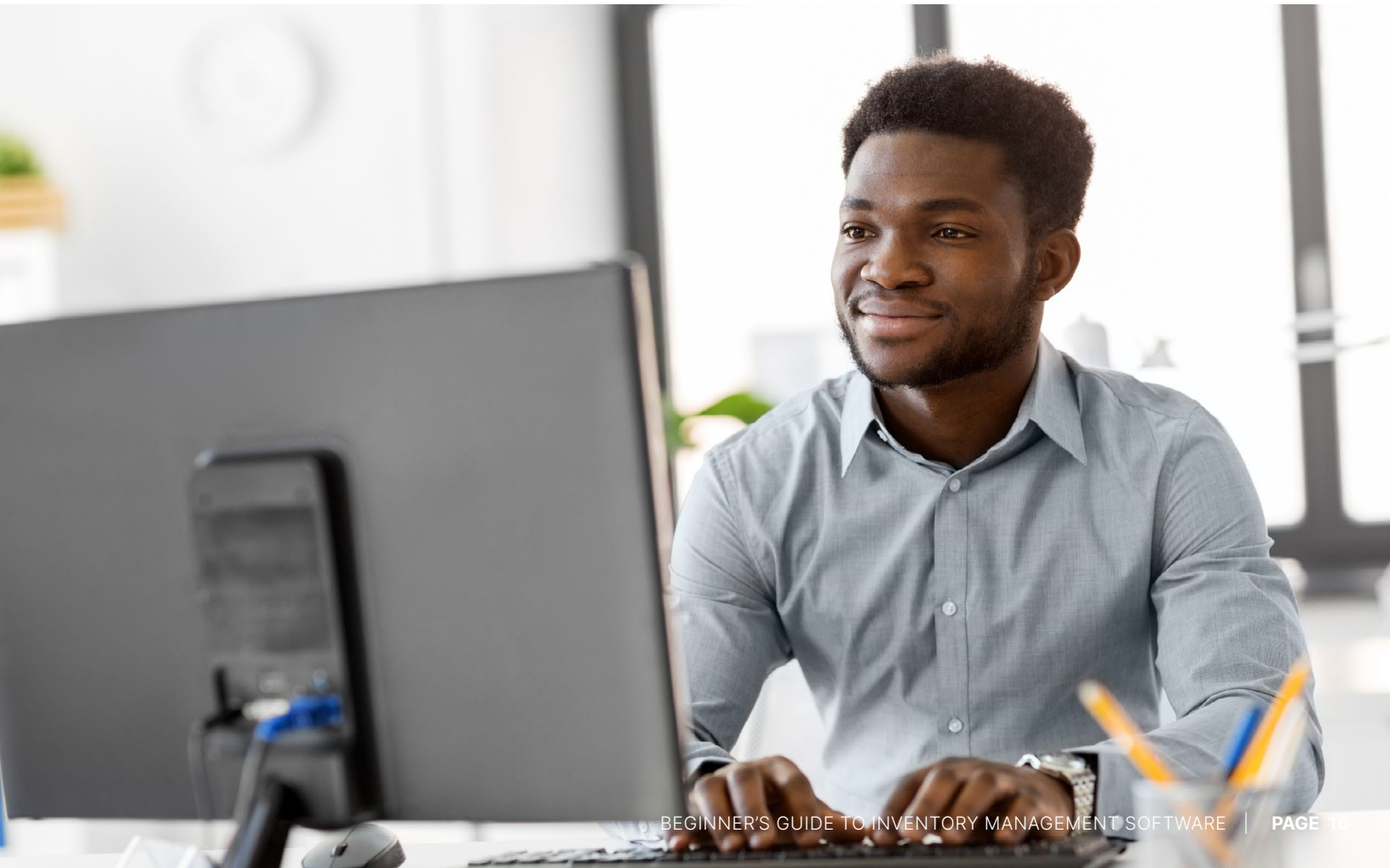
An inventory management system will only enhance your business when implemented correctly.

That means making sure the solution aligns with your existing business model and future growth plans.

PART III:

How It Works

The two classifications are Independent Demand and Dependent Demand.

Independent Demand

This refers to finished goods or products that are typically purchased by end-customers and are not dependant on the demand of another item. Independent demand for inventory can include customer orders, sales forecasts, and even historical data.

Dependent Demand

This inventory is dependent on the demand of finished products. It includes raw materials and component inventories. It is popular among restaurants and manufacturers who rely on the steady supply of raw materials to create finished goods.

Both forms of demand rely on inventory management to monitor the flow of goods and materials, fulfill orders, and forecast future demand to maintain healthy stock levels. Software allows for a simplified process of reordering, purchasing, storage, and delivery to the delight of your customers and your vendors.

What functions does inventory management software perform?

One of the best ways to develop a better understanding of inventory management software is to examine the features and functionality as they apply to your business. Below are some features to get started.

Product Categorization

Being able to migrate products between a variety of different product categories and channels makes them easier to manage and track. You can define your product types by type, price, date, supplier, SKU, or popularity (high sellers vs. low sellers). These parameters can be adjusted according to your business and sales goals. This feature allows for accurate stock control and improved demand forecasting.

Order Management

The ability to track orders throughout their entire post-purchase journey is a fundamental feature of IMS. Once a sales channel signals a purchase, the IMS generates the packing label, determines the fulfillment method, sends tracking information, and updates the available stock count in the warehouse. Once that order is marked as "shipped," it will generate a tracking code and share it with the customer.

Automation

The elimination of waste is a core aspect of successful business management. In addition to the financial savings, inventory management software can reduce the amount of time wasted by automating manual tasks and redundancies like order routing, purchasing, and maintaining accurate inventory counts.

Product Information Updates

Data has to be treated as an essential variable when it comes to inventory management. Being able to adjust product information in real time so that all of the members of your team are working in alignment is critical as you grow in SKU count and into new sales environments.

What information do you need to hit your inventory management software goals?

There are many options to consider when it comes to choosing the right inventory management software for your business.

With so many variations and unique features, you need to have a complete understanding of what you're looking to achieve before you start implementation. The critical information that you need to consider before making a decision may include:

Budget

Knowing your budget will help to narrow down your options and find the best tech for your cash. Inventory management systems can vary from free to over $100K, so you need to make your decision based on quality, capability, scalability, and overall cost.

Challenges

All businesses face their own unique inventory management challenges. Identify those before you start looking for solutions and be prepared to ask the right questions during the sales and implementation stages.

Existing Software

If you use a CRM, accounting software, or analytics software, then you will want your IMS to be able to integrate fully with your existing workflows and technologies stack. If you fail to address integration needs at the start of your decision process, then you will limit the effectiveness and value of your solution.

Users

You will also need to factor in how many people will be using the software, as this will impact your cost and implementation process. Before exploring solutions, sit down with other cross-functional teams to understand whether an IMS will help them as well.

PART IV:

Choosing the Best Inventory Management Software

When accessing the best IMS for your business, it's important to consider the perspectives of each user.

A warehouse manager will have a different viewpoint and criteria from a retail manager or manufacturer. You'll most likely find a variety of software options that have some similarities when it comes to ease of use, affordability, and access to features and functions.

At the very least, the top software will include:

Inventory Alerts

Automated Reordering

Sales Tracking

Integrations Capabilities

In addition to the basics, there are more advanced features worth considering. Bin tracking, product forecasting, and billing/invoicing automation can be useful for most businesses.

Each feature comes with its own benefits and implementation requirements. Having an in-depth understanding of your specific needs, team workflows, and overall business goals will be increasingly valuable as you delve deeper into your research.

What are the differences between the top inventory management software?

Flexibility

A good IMS can help your business be flexible and reactive to prevent warehouse mistakes, delayed stock replenishment, damaged goods, and incorrect shipments. The software itself should also be flexible because managing an e-commerce store typically means using many different pieces of software and applications to keep it running. Using a stock and inventory management software that integrates with existing systems minimizes friction and maximizes efficiency.

Open API

Modern and easy-to-use RESTful APIs expose virtually every piece of functionality in a way that can be "plugged into" by external applications. API endpoints should offer generous throttling limits that can be customized further for each customer. Best-of-breed IMS companies even have App Store ecosystems that allow for unlimited plug-and-play customizations of the platform.

Price

The cost of the most popular software options vary significantly. For bigger businesses with multichannel sales and multiple warehouses, price is less straightforward and often determined by revenue, order volume, and average order value.

Support and Implementation

Legacy ERPs and even some modern IMS can take months of costly implementation, external consultants, and hours of internal manpower before you even get a chance to use the software. Look for IMS with domestic customer support and enablement teams to get you up and running at the speed of your ideas. Some solutions like Extensiv Order Manager can get you fully live on multiple sales channels, warehouses, vendors, and apps in less than two weeks.

Analytics

Having robust analytics within your inventory management platform can be a significant factor in selecting the right provider because the data can be used to support your overall business strategy. Your IMS choice should have a variety of analytics and reporting options available to help you visualize how individual products are performing across channels and your warehouses. With this data in one place, you can identify new opportunities to reduce liabilities alongside areas with the potential for growth.

Purchase Orders

The most significant difference between software options is the level to which automation plays a role in purchase orders. Good software minimizes exporting and cross-referencing data to build POs. Advanced systems use existing sales data, vendor fulfillment data, and inventory levels to determine your reorder point (or minimum level) as well as the date you're expected to hit this point. When you reach the reorder point, the system automatically creates a PO with a recommended quantity to reorder, so all you need to do is click "send."

Tracking

This is a vital component of inventory management, and the best software options come fully loaded with detailed tracking options that allow you to track inventory across warehouses and channels without relying on spreadsheets or manual data entry. Advanced tracking features include pinpointing the position of products within a warehouse by assigning sublocations, synchronizing inventory in real time, assigning orders that fit certain criteria to be fulfilled by specific warehouses, and managing bundles and kits.

What are the latest updates in the inventory management software industry?

The evolution of inventory control software has been on an upward trajectory since the dawn of ecommerce.

Some of the latest trends include multichannel selling, cross-border commerce, D2C, and pop-up retail. These industry shifts have resulted in an increased demand for a variety of features and functionalities outlined below.

Advanced Inventory Controls

Whether you're trying to bundle core products or create artificial scarcity, these controls need to be available within the IMS. Successful inventory control requires data from purchases, reorders, shipping, warehousing, storage, receiving, customer satisfaction, loss prevention, and turnover. Without the data and control over these activities, retailers could have difficulty expanding into new markets, utilizing modern merchandising techniques, and competing on an international scale.

Real-Time Tracking

For brands that want to stay ahead of the competition, it's vital to have real-time data. When inventory can be tracked from purchase to order fulfillment in real time, brands have access to more accurate insights, better team alignment, and an improvement in data quality.

Product Categorization

If you sell a variety of SKUs, then you need a system that can identify and differentiate between their unique variations, bundle combinations, and the individual core products themselves. Being able to distinguish by class, type, or KPIs is becoming one of the most sought after features as developers race to build more intelligence categorization using technology like AI and machine learning.

Custom Solutions

No two businesses are the same, so customization is becoming one of the most sought after features of modern IMS. Even companies in the same sector demand different functionality, access to different data sets, and customizations that can integrate their unique tool stacks.

Automation

Task automation is changing the world and software is the vehicle to leverage this trend. With smarter solutions come the ability to automate redundancies, manual tasks, and even finance-oriented business processes where the margin of error needs to be zero.
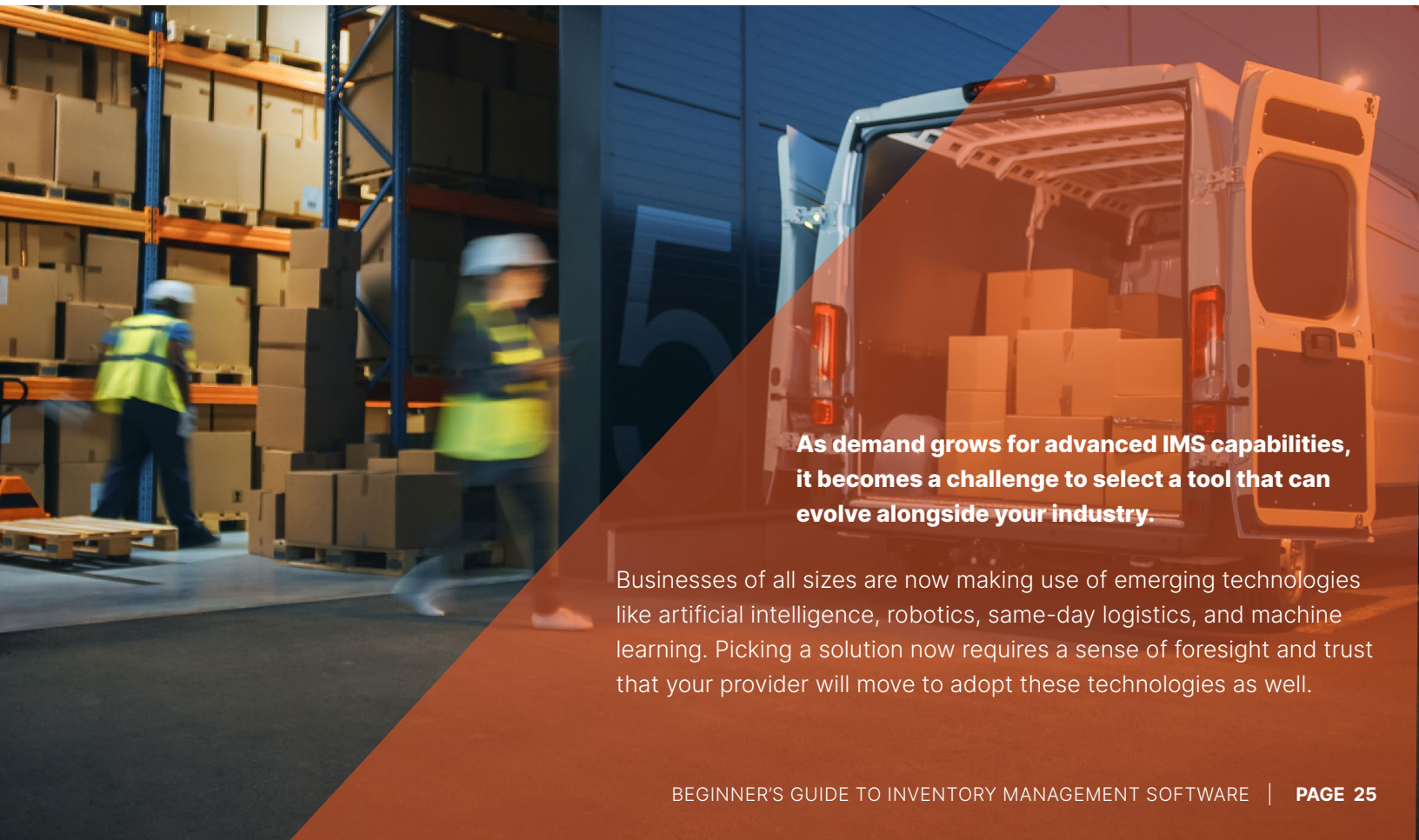
As demand grows for advanced IMS capabilities, it becomes a challenge to select a tool that can evolve alongside your industry.

Businesses of all sizes are now making use of emerging technologies like artificial intelligence, robotics, same-day logistics, and machine learning. Picking a solution now requires a sense of foresight and trust that your provider will move to adopt these technologies as well.

What are the most cost-effective options?

The price for an IMS will vary widely depending on the size of your business, order volume, and feature requirements.

Small businesses selling on one channel, one warehouse, and very few SKUs, and order volumes below 500 per month have very little need for automation. Built-in e-commerce platform functionality might even be enough. For a few more features, there are even some free, open-source options.

Businesses that go beyond and don't fit the above profile will benefit immensely from paid software that has the throttling limits, data fields, and functionality that high-growth brands require. When it comes to cost effectiveness, it's important to consider not just the price but the value in growth, profitability, and customer success that will result from its implementation.

We'll help you see opportunity in all the complexity.

www.extensiv.com

About Extensiv Order Manager

Extensiv Order Manager powers fulfillment, inventory, and business intelligence for brands looking to achieve multi-channel success. Extensiv Order Manager unifies data across channels, warehouses, POS systems, and more so merchants can stay focused on optimizing their customer experience with the latest technology.

D2C retailers, marketplace sellers, and pre-launch brands employ Extensiv Order Manager for faster and more efficient workflows. Unlike other enterprise solutions, Extensiv Order Manager is designed for agile retail and implements in only two to six weeks.

Learn more

**Schedule time with one of our implementation consultants
by contacting us at hello@extensiv.com.**

Request demo

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About Extensiv

Extensiv is a visionary technology leader focused on creating the future of omnichannel fulfillment. We partner with warehouse professionals and entrepreneurial brands to transform their fulfillment operations in the radically changing world of commerce and consumer expectations. Through our unrivaled network of more than 1,500 connected 3PLs and a suite of integrated, cloud-native warehouse management (WMS), order management (OMS), and inventory management (IMS) software, we enable modern merchants and brands to fulfill demand anywhere with superior flexibility and scale without painful platform migrations as they grow. More than 25,000 logistics professionals and thousands of brands trust Extensiv every day to drive commerce at the pace that modern consumers expect.