

WHITE PAPER

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This interview with Nathan Smith, Appriss Retail's SVP of products, originally appeared in LPM Voice.

Products come into a store and leave after a sale—getting a handle on when that orderly flow gets sidetracked is a top mission for retailers.

Automatic Identification of In-Store Inventory Issues

When considering the problem of loss in a retail environment, it's natural to first think about the register. After all, it's where money changes hands. It's the point at which the essence of retail—the transaction—takes place, and where opportunity for theft, collusion, or costly errors reside. Examining how money might leak out from a store at that critical confluence is at the heart of shrink reduction. And it's also "only half the puzzle," notes Nathan Smith, senior vice president of products at Appriss Retail, a leader in data and analytics solutions for retail organizations.

The bigger picture includes the movement of inventory throughout the store environment. "After all, inventory is money, so executing effective management of that inventory within the store is critically important," explained Smith.

On-Hand Inventory Visibility to Understocks and Overstocks

Inventory management underpins nearly every goal a retailer has: Make effective use of capital, have the right product available at the right time, maintain honest, strong relationships with vendor partners, and so on. Without a good grip on inventory movement, not only are those goals unattainable, they are replaced by opportunities for disappointed customers, missed business opportunities, or vendor theft.

"If you sell out of an item, availability is clearly an issue, but overstock is also a problem—every item is a cost on the balance sheet of the store," said Smith. "If you're holding too much stock, that is dead money to a retailer." Money tied up in inventory is money that is unavailable to benefit the business, be it for marketing campaigns, store remodels, or any number of ways in which it could be used to build the business. It also prevents brick-and-mortar operations from being lean and mean—increasingly a prerequisite to competing effectively with online sellers. From a sales perspective, overstock is perhaps most clearly a pain point for a fashion retailer, where too much of an item means it can go out of style or be replaced by seasonality before it sells. For a food retailer the overstock problem can also lead to an increase in waste due to issues related to out-of-date products, unlike fashion retail where goods can be discounted when they are less seasonally desirable, out-of-date food leads to total loss of product.

A Priority for BORIS/BOPIS

Effective inventory management becomes a growing priority as buy online, pickup in store (BOPIS) and buy online, return in store (BORIS) further transform the retail landscape. "If you have better tracking, you can reinject [that product that wasn't picked up and not typically sold in that store] back into supply chain, rather than selling it at a deep discount," explained Smith. "The goal is to make sure products are in the right place, at the right time, and that you're selling them at the best price you can."

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Finding Balance Within the Store

The primary challenge facing retailers today is having the right inventory balance within the store. To help them rise to it, Appriss Retail has transferred its expertise from analyzing register transactions to those affecting store stock. "We've taken our learnings from POS EBR analytics and use that same capability and technology in service of inventory movement into and out of the store," said Smith.

Appriss Retail examines the retail store as a system, in which products come in from distribution centers and vendors through the backdoor and where, hopefully, 100 percent of that stock leaves out the front in the form of a sale. "That's the ideal, that's the way it supposed to work, but in reality, there are many ways that stock leaves the store other than a sale," said Smith. "How and why?" and "Is it tolerable?" are the questions that robust tracking of inventory movement helps to answer according to Smith, noting that it's unrealistic to expect a store manager to identify and address all the potential diversions for the potential 1000s of SKUs in a store.

Appriss Retail is directing the same artificial intelligence and expertise it's been using to identify POS discrepancies to those related to the handling of store product. As it does, it answers a range of vital questions: Do we have too much product in the back room and not out on the floor? Are vendors supporting us or are they defrauding us? Are items selling faster than our supply rate?

For example, a computerized look at anomalies from a product standpoint might show a product isn't selling through at the expected rate, which can automatically generate an action item for a store manager to check if the product is being properly merchandised on the store floor or if it's stuck in the stockroom. In that way, it acts as a vital bridge between supply chain and sales. A good supply chain system can get the right amount of a product to a store, but it doesn't tell you if that product is being managed correctly once it's there.

Item-Level Peer Store Comparisons for Waste, Delivery, and Sales



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Creating Exceptions for Particular Audiences

Appriss Retail's Secure™ Inventory examines millions of data points that comprise the flow of products into and out of a store and brings potential problems to the surface. Is it normal to have nine pairs of broken high-end sunglasses per week? Or is the product being mishandled, or is there a fraud issue in the store? Is the amount of light beer coming into a store what was ordered? Is there enough shelf capacity for that size order? "Secure Inventory provides a model for how products should flow in and out, and when they don't flow in this way, then it highlights the discrepancy for the relevant stakeholder to investigate," explained Smith.

Key to the solution is its user-friendly presentation of data. It provides actionable information on the most pressing issues to the people who can address them. Stores might have access to some of the data, but not in a digestible way that can highlight priorities and possible fixes. "The value here is that we're creating exceptions for particular audiences, be it supply chain analysts or merchandising department vendor managers, store managers, or Loss Prevention. We are delivering it wrapped up with a nice bow, saying, 'Here is the product, here is the reason why we think something is not right, and here is what we think is going on,'" said Smith. "We deliver that information in a useable format and not buried deep in some massive generic report—highlighting areas of interest and providing guidance and actionable intelligence. Often, we create visibility that did not previously exist or improve what was once a very laborious process."

Information Is Delivered in an Actionable Format for the Most Important Issues

UPC	Name	Sell Through Rate	On Hand	On Hand Value	Delivery Rate	Last Delivery Date
B0046ZYF7Y	Rimless Aviator Sunglasses in Silver Grey Gradient RB3449 003/8G 5P	91%	0	\$0.00	3 days	10/4/2019
B000ZHU990	Men's Sunglasses RB3030 58 mm	93%	0	\$0.00	4 days	9/28/2019

Summary

The company's Secure Inventory module is a complement to its popular Secure™ Store solution. It allows investigators and others to track products and highlight indicators of merchandise issues and identify their causes. It facilitates a natural expansion of a retailer's exception-based reporting—to move beyond identifying loss and errors in register transactions to also raise red flags in the movement of stock. "We've always provided detailed visibility to register transactions, and now we're just expanding that view," said Smith. "It gives a retailer overall visibility of where its money is being stored, and the ability to re-balance when necessary." 

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