



**Out of Stock Means
Out of Business**



**Special Report
By Elias Amash**

GRIP Special Report

OUT OF STOCK MEANS OUT OF BUSINESS

What is one of the worst problems for retailers? Stockouts! The results are many:

1. Lost sales
2. Reduced customer satisfaction
3. Loss of loyalty
4. Bad social media reviews
5. Lost customers

Some of the causes can be prevented by taking some rather simple steps and by improving your store's practices.

The Marketplace is Competitive – More So than Ever

Customers have many different channels from which to purchase their most important goods and services. Brick and mortar stores are not the only place to shop retail today but include many other possibilities including catalogues, pop-up shops, online channels, and even mobile apps. With all these choices, competition is fierce.

A Consumer-driven Marketplace



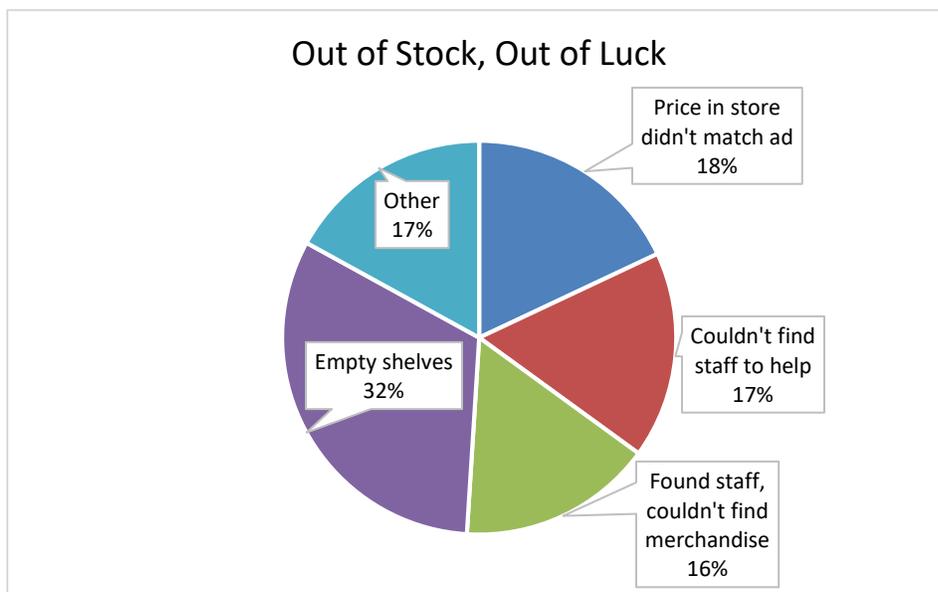
With so much competition, its no wonder that your customers' user experience is a high priority. If they can't find the items on their shopping list and consistently have a negative experience at your store, they've got many other purchasing options to choose from. On-shelf availability (OSA) is an area where many retailers struggle.

Key survey findings include:

- More than two out of three (68%) U.S. adults would avoid shopping at a particular retail store if they encountered empty shelves
- Nearly two out of three U.S. adults would shun a retail store due to:

- Long check-out lines (64%)
- Desired items out of stock (63%)
- Difficulty finding desired items (62%)

A study by research firm IHL Group revealed that out-of-stocks (OOS) cost retailers approximately \$634 billion annually. Further, the study found that if the item sought remains unavailable for three (3) consecutive shopping trips, **70% of customers will leave that retailer and never come back!** And today, its easy enough for a customer to check his or her smartphone to find out if another store has that item in stock, leave your store, and purchase the item elsewhere.



Another study recently found that women are most loyal to both department and grocery stores, whereas men are most loyal to automotive and hardware stores. In both situations, women and men were found to most likely leave those loyalties entirely when they experience just ONE or more episodes of items being out of stock at those stores (Harris Interactive on behalf of Galleria Retail Technology Solutions).

“...retailers need to note that making sure their shelves are fully stocked is critical when it comes to retaining loyal customers,” said Bryan Eckhoff, executive vice president of sales and account management for North America, Galleria. ***“The cost of empty shelves can be extremely high. Out-of-stocks can force consumers to migrate from a particular store, risking the loss of the value of an entire shopper’s basket, not just one product. Consistent out-of-stocks may force the permanent loss of that customer.”***

“Statistics have shown that it costs five times more to obtain a new customer than to retain an existing customer,” Eckhoff said. “In the current U.S. economic climate when consumers are more cost conscious than ever, **retailers should make every effort to ensure they have the right products, in the right place at the right time to keep their customers happy...and coming back.**”

Over the past several years, retailers have focused resources to make their supply chains more receptive to consumer demand, especially improving their forecasting and planning abilities. Nevertheless, out-of-stocks and other retail inventory issues are still commonplace. Because consumer demands are so unpredictable today, planning is not enough. Instead, retailers need to make daily adjustments to keep their shelves stocked while avoiding surpluses. Many retailers are starting to make significant investments in the replenishment area, including the use of advanced technologies.

Realizing how vital OSA is to a store’s profitability, Walmart is testing robots that scan



shelves at 50 stores across the country. In addition, home improvement store Lowe’s has developed robots and high-tech cameras that can scan their shelves automatically. Kroger’s grocery store has partnered with Microsoft to create digital solutions that can show ads and change prices right at the shelf level with a series of computerized sensors that track the sale of various products.

One of the most time-consuming tasks faced by retail store owners is to keep track of inventory. A good inventory tracking system can keep hot selling items in stock, control theft, manage revenues and clear out slow-moving items through markdowns and sales. Making sure your inventory is productive is crucial!

From knowing what people want to buy — and what they can buy — to finding the right places to source these products, building inventory, and keeping shelves full of a particular product, is a pain-staking process. First, you need to **BUY SMART** - to develop and maintain close relationships with your suppliers and with experienced, savvy buyers so that you can better manage your supply chain. Make sure that you partner with reliable vendors so that you can stay on top of changes in your industry, know that you will have the products you need when your customers demand them, keep your shelves stocked and ultimately, keep your customers happy. This is more critical now more than ever before, especially with tariffs.

How to Build A Good Supply Chain to Maintain OSA

To be successful in retail, it is essential to stock the right products, at the right time and at the right price. To do this, you must be able to source your products from the best and most reliable suppliers that you can find. This is not always an easy thing to do. Obviously, you need to establish the product lines you are going to sell from a supplier that will be consistent and reliable.

Suppliers/vendors come in many different types. Briefly, you can purchase from Manufacturers, Importers, Distributors, or Wholesalers. Naturally, you'll want to find vendors that will supply quality products to you at a fair price. And the vendors must be able to commit to delivery times and methods. Since problems will probably arise, make sure you find suppliers who can back you up with the best customer service possible.

Retail suppliers generally refer to the percentage of the purchase order filled as their "fill rate." You need to find a vendor with an exceptional fill rate – after all, if you are attempting to keep product in stock, you don't want to do business with a distributor/importer



who can't fill your purchase orders quickly and reliably. Retailers also must consider the value of building an in-house capacity to deal with overseas manufacturers and the unique and sometimes challenging relationships that are required. Without company employees on the ground in China, Taiwan, Korea and other countries, success with this type of purchasing can create more problems that it solves.

Another important consideration is the ability to restock fast selling products quickly. Ordering large quantities by the container takes many months of planning and cannot solve the short term needs that may arise. Some retailers elect not to restock these fast selling items quickly while risking the loss of important customers. By maintaining a relationship with a full service distributor in the US, these retailers can refill depleted shelves so that customers can get what they want, when they want it.

How does a good distributor impact your business?

Quality: Distributor experience and competence can positively or negatively affect the quality of your products. Higher quality increases customer satisfaction and decreases returns, which will add cash to your bottom line.

Timeliness: Timely deliveries are critical to how customers think of your business and your overall reliability. You'll be able to minimize inventory requirements, lower your cash needs and reduce the risk of inventory obsolescence.

Competitiveness: A competent distributor can make you far more competitive based on pricing, quality, technological breakthroughs and knowledge of industry trends. You'll retain more customers and take new customers away from your competition who cannot keep the products in stock like you can.

Innovation: Experienced distributors can help you with major contributions to new product development. With the many retail channels that exist today, you'll need to stay on top of product originality and advancements. The best distributors spend their time working to provide state-of-the-art, cutting edge products in their own lines, and will want to deliver that innovation on to you. And don't forget - they will understand your industry and customers and can often help you tweak your own new ideas.

Import connections: A distributor with good import connections to China and other parts of the world can save you a lot of time, money and some serious problems. Dealing with foreign governments, not to mention U.S. trade regulations, can be overwhelming for retailers who have no experience in this area and wouldn't know where to begin. The best distributors have their people on the ground in China and other countries. Real business is done face to face, not via email!

Conclusion



Out-of-stocks can cost your business in many ways – the loss of good, loyal customers, profits, and the overwhelming effect of negative online reviews. The statistics are many; if your store doesn't have the items your customers want when they want them, they will go to your competitors and they probably won't come back! One of the most important things you can do is to find a reliable distributor you can trust and in turn, they will benefit your business in a variety of profitable ways. Make sure your distributor has a good track record of being able to fill your orders on time, at a fair price and with customer service you can count on.

About the Author

Elias Amash, President of GRIP, is an industry veteran with more than 20 years of experience in global sourcing, manufacturing, distribution, retail merchandising, fulfillment, marketing, technology, and operations. He is a trusted partner to hundreds of retailers and has "leveled up" the industry with GRIP's undying commitment to offering only the highest levels of service to its customers. Amash has recently published his fourth business book, Retail Survival, Who Lives, Who Dies and Why, which is available

on Amazon. He is also the author of *The Future of Retail*, *Importing from China: The Good, The Bad, and The Ugly*, and *101 Bright Ideas: Winning Tactics to Increase Retail Sales*. You can download these other books at www.whygrip.com or purchase them on www.amazon.com.

About GRIP GRIP was incorporated by Charles Amash in 1980 and has grown into one of the nation's top suppliers of innovative products to the retail industry. Located just south of Grand Rapids, Michigan, GRIP features a 200,000 sq ft state of the art warehouse facility including a 2,000 sq ft product showroom.

GRIP carries a product line of over 1,000 specialty hand tools, automotive, cargo control, Goodyear Air hose, LED lighting, Magnetics, outdoors, household items, and general merchandise. GRIP has a proven track record of excellence in supplying retail



clients with innovative products, timely fulfillment, and world-class customer support. At GRIP, everything is about earning your business...one customer at a time. It's about building relationships and fostering business partnerships that will last long into the future. Our goal is to have Customers for Life. The future at GRIP is exciting and we're hoping that you can be a part of it as one of our many Customers for Life. Learn more at www.gripontools.com. For more information: **616-877-0000**

