

Develop Smart Inventory Control System

C H E C K L I S T

Sourcing, Storing, Selling, and Saving

Smart management of inventory is imperative to tourism businesses, especially in times when cash flow is strained and your company is adjusting to new business conditions, such as having to change products or services to match new visitor markets.

A smart inventory management system will help tourism businesses:

- Prevent loss from theft, spoilage, and returns
- Reduce costs
- Maximize cash flow (and free up cash that would have been tied up in inventory)
- Minimize disruptions to production and distribution—and provide better customer service
- Optimize fulfillment, enabling you to provide optimum services and drive revenues
- Establish optimum inventory levels (without excessive or stale inventory)
- Transfer ownership

In a broader context, inventory management also provides insights into your financial standing, customer behaviours and preferences, product and business opportunities, future trends, and more. Good inventory management enables tourism businesses to quickly pivot and adapt to new markets.

RECOMMENDED INVENTORY MANAGEMENT PRACTICES

- Estimate the lowest amount of inventory you must order** to meet peak customer demand (and without producing obsolete inventory), for example:
 - Review sales projections, bookings, and anticipated trends and identify which items are in greater demand or should be ordered more frequently and those that don't need to be restocked often
 - For each item, establish the lowest amount of inventory you can sustain before needing to reorder
 - Identify items that can be ordered in small quantities and those that require a minimum order quantity (i.e., the lowest set amount the supplier is willing to sell)
 - Identify items that can be ordered "just-in-time", usually from a local supplier with guaranteed delivery times
 - Identify items that you must have to protect against expected spikes in demand or to compensate for inaccurate market forecasts, or that take longer to replenish from suppliers
- Estimate percentages of inventory based on "ABC classification":**
 - Category A: your most valuable products that contribute to most overall profit
 - Category B: mid-range items that sell regularly but may cost more to hold than Category A items
 - Category C: for small transactions that contribute to modest profits or demand
- Monitor inventory levels to maintain cost-effective levels:**
 - Avoid accumulation of excessive stock, especially of medium- and low-demand inventory
 - Maintain enough stock to prevent shortages that would interrupt production or sales
 - Consider just-in-time inventory levels for low demand stock



- Employ measures to reduce cost of inventory and waste**, for example:
 - Avoid minimum quantity orders—ones where the supplier requires you to order a minimum amount that is more than you ideally want or need:
 - Look for alternative suppliers
 - Pay a premium for smaller quantities, if cost effective
 - Negotiate/persuade supplier to make an arrangement that is better suited to business needs
 - Maintain accurate records and analyze sales inventories:
 - Identify products that are driving up costs or are in less demand
 - Get a handle on your write-offs, rate of inventory turnover, items you have had to 'blow out' (i.e., sell with little or no profit)
 - Adjust reordering patterns based on revised sales forecasting
 - Get rid of problem inventory (see below)
 - Increase just-in-time inventory, where possible:
 - Look for suppliers that meet needs
 - Develop a receiving procedure for checking deliveries against invoices:
 - Reject unacceptable products
 - Report irregularities
 - Develop, establish, and implement a procedure for organizing, storing, securing, maintaining, rotating, and updating inventory as required

MANAGE PROBLEM INVENTORY

- Identify types of problem inventory:**
 - Obsolete product
 - Excessive just-in-case stock
 - Stock in wrong locations
 - Supplies too good to discard, but no longer used
 - Materials approaching end of shelf-life minimum
- Implement short-term solutions to decrease levels** of problem stock, for example:
 - Donate materials approaching end of shelf life (which might be an opportunity to support a community-based initiative for a tax write-off)
 - Sell supplies
- Implement long-term solutions to prevent accumulation of problem stock**, for example:
 - Decrease order of supplies for short production runs
 - Avoid purchasing excess quantities to take advantage of economies of scale
 - Monitor consumer trends to anticipate obsolete products
 - Use First In, First Out (FIFO) strategy
 - Improve analytical processes
- Establish problem inventory as a permanent performance measure**

FOR LARGER-SCALE TOURISM BUSINESSES OR THOSE EXPORTING GOODS

Additional considerations:

- Assess variables to establish inventory storage locations:**
 - Available space
 - Size, shape, weight, and storage requirements of goods to be stored
 - Storage requirements (e.g., refrigeration, HACCP considerations)



- Assign an inventory number to all goods, assets**
- Assign a unit of measure to all goods** (e.g., 1 crate of 48 units)
- Generate inventory analysis reports:**
 - Calculate dates to order new supplies
 - Forecast deliveries to warehouses
 - Inform sales staff of available inventory
 - Determine economic order quantity
- Consider advantages and disadvantages of using a vendor-managed inventory system** to allow for more efficient coordination of production to maintain inventory levels
- Implement or integrate similar system for reverse supply chain goods** (e.g., returns, product recalls)
- Identify lead times** of:
 - Supplies to production plant/delivery times to warehouse
 - Production
 - Product to customer
 - Warehouse to customer
 - Awareness of identification process of obsolete inventory value
- Inspect shipment** to documentation in presence of inspection agencies, if applicable:
 - Check seal is intact before opening container
 - Ensure volume/quantity of goods has arrived; identify shortages
 - Check quality; ensure goods meet specifications
 - Check packaging and labelling; ensure goods have arrived in specified condition; identify damaged goods
 - Check truck environment and readouts (refrigerated trailers), if applicable

N O T E S

