

## Inventory Analysis

The continuous analysis of product inventory helps an organization match supply to demand, saving money in idle inventory and making money by preventing lost sales. Product, sales and logistics managers monitor important inventory indicators like consumption, turnover, returns and material movements in order to minimize inventory while still ensuring adequate product supply exists to satisfy demand. First-order inventory analysis consists of reporting current inventory status, analyzing inventory levels by location, and notifying managers of shortages via alerts. Business intelligence can also quantify the monetary impact of inventory shortfalls on sales, predict future inventory needs and automate the reorder process based on demand forecasts.

### Sample Report: Sales and Inventory Forecast

Distribution Center	Inventory as of Today (BOH)	Sales Last Month	Sales this Month Last Yr	Projected Sales for This Month	Inventory Surplus (Projected EOH)
Northeast	100	66	35	51	50
Southeast	180	200	210	205	(25)
Northcentral	60	40	80	60	0
Southcentral	225	325	300	313	(88)
Rocky Mountain	175	155	215	185	(10)
Northwest	150	60	90	75	75
Southwest	320	315	425	370	(50)

This report links sales forecasts and inventory levels to ensure the right products are available in the right distribution centers to support sales demand. Sales and Distribution Managers use this report to reallocate existing stock, proactively route current orders to high-demand regions and place new bike orders. Beginning-on-hand (BOH) and end-on-hand (EOH) are common measures of inventory levels at the beginning and end of a time period. A next step would analyze projected inventory surplus over time, drill to another product to see if multiple products need to be rerouted, or create "what if" sales and inventory scenarios.

### Key Performance Indicators

- Inventory Turn Rate
- % Change to Sales Forecast
- Returns Rate
- Stock Out Rate
- Inventory Carrying Cost
- Days on Hand
- Vendor Rating
- Projected Inventory Surplus
- Inventory Shortage as % of Demand

### COMMON BUSINESS QUESTIONS

- How much is the inventory of Product XYZ worth?
- What products are in danger of stock out?
- What is the inventory capital effectiveness?
- What impact are my current sales having on my inventory plans?
- What is the trend for inventory turns by product type? Color? Size?
- What are the trends in returns and what impact will this have on inventory?
- What can I do to decrease inventory turns?
- What are my projected warehouse space requirements?