AMERICAN MARKETER

Business at its best

Mobile commerce trend magnifies retail's out-of-stock problem

January 9, 2013

By Adam Haight

One of the top trends in today's retail industry is the increased usage of multiple channel consumption, specifically with mobile devices. Unfortunately for retailers, this trend can magnify the common inventory distortion problems of out-of-stock and on-shelf availability.

In a recent publication by Deloitte, "Global Powers of Retailing 2012," it stated that "one cannot mention multichannel without also discussing mobile one can anticipate that mobile, and all the capabilities and opportunities it offers, will be top of mind among retailers in 2012."

Taking stock
Consumers are using mobile devices to get real-time inventory and pricing information about competing stores and products, and doing so on an ever-increasing basis.

With a few touches and swipes on a mobile phone, consumers can easily find the product they are looking for, ensuring both its availability and competitive price.

The increased usage of mobile devices comes with ramifications. Retailers must be aware of these in order to adapt to this technological trend.

One of the largest consequences involves the fact that switching costs between retailers are lowered due to the ease of researching and comparing other prices, products, and customer reviews.

Since a consumer is more willing to purchase elsewhere, proper inventory management is of huge importance for retailers in the coming years to keep customers happy and loyal.

With accurate inventory management to ensure the right product is on the shelf at the right time, even if a consumer finds a lower price elsewhere, the cost of taking the time and gas to drive to the other location may outweigh the benefit of the lower price.

Keeping inventory at proper levels will bring the switching costs back up, helping the retailer retain customers.

Skewing right
Inventory distortion has always been a deep-rooted problem in retail, but today with virtually every consumer using their mobile devices to find the best bang for their buck, there needs to be a solution.

The distortion that causes out-of-stock can occur for several reasons, including miscounted inventory entered incorrectly into the system, products being damaged and not removed from the system properly, merchandise being scanned incorrectly at the point of sale (POS), or even from goods being stuck in transit while being delivered to the store.

store.

These issues may seem like they will always exist in some form, but there is a way to considerably reduce their occurrences and virtually eliminate inventory distortion.

The answer lies in pattern-seeking technologies that identify the trends of these issues to correct the underlying behavior.

The algorithms within this technology are able to seek out patterns in the retailer's data to dig up the root causes of the inventory distortion.

Once pinpointed, best-practice solutions can be delivered to the correct personnel so they can execute the tasks needed to stop the problem.

Employing this technology can help significantly reduce the issue of out-of-stock, and allow the retailer to begin to leverage the trend of mobile commerce, instead of dreading it.

Adam Haight is vice president of marketing and channels at Profitect Inc., Waltham, MA. Reach him at adam.haight@profitect.com.

American Marketer is published each business day. Thank you for reading us. Your feedback is welcome.