Case Notes

# Chapter 15: Inventory Management

# Inventory Management in the Age of the Online Shopper

## Case Summary

*This case describes a 2013 study conducted by UPS on the expectations of online shoppers that impact inventory management.*

Case Analysis *This case illustrates how retailers can tailor their inventory management systems to effectively compete for online shoppers’ business. Online shoppers’ expect an integrated buying experience across a retailer’s multiple channels, delivery timeframes, order tracking services, and easy return policies. To meet these expectations, retailers need an inventory management and control system that integrate upstream inventory, avoid stockouts, and deal with expectations of immediate delivery.*

## Sample Answers to Case Questions

1. Think of some aspects of inventory management discussed in this chapter (for example, inventory costs or cycle-stock patterns). How does online shopping affect them?

Online shoppers want to shop anywhere at any time and they expect the flexibility to choose delivery dates and locations as well as easy returns. All these make demand forecasting less accurate. Retailers will tend to hold more safety stock to avoid stockouts which will lead to higher inventory costs.

2. How is omnichannel shopping changing the way inventory is managed? How will modern inventory management systems make omnichannel selling easier?

Omnichannel shopping means there are more options for online shoppers to determine how items are bought, delivered, and returned. According to the UPS study, a majority of them prefer to buy online but ship-to-store and return-to-store. This means retailers need to manage inventory across different channels in order to give online shoppers an integrated buying experience. In addition, ominchannel shopping information needs to be fully-integrated with inventory control to coordinate upstream inventory, avoid stockouts, and deal with flexible delivery dates and locations.

3. Suppose you are working for a local drugstore developing an online shopping site. Think of some products you routinely sell and apply the ABC classification system to them. How would the ABC classification help you in planning for online sales?

The ABC classification systems classifies items according to their importance to a firm’s operations into A, B, and C categories. In the case of a drugstore’s online shopping site, prescription drugs and over-the-counter medicine should be classified as A items, health care products (e.g., vitamin, blood pressure monitors) are B items, the remaining products will be C items. The ABC classification help in the design of the online shopping site to make it easy to use. For example, A items will be displayed more prominently than B and C items. In addition, buy online and pickup in the store will be default omnichannel options for A items.