



**Inventory**  
PLANNER by Sage

Guides

# Post-Peak Excess Stock: Why It's A Major Issue And What You Should Do About It



## Chapter 1

# New Year, Same Old Stock

As the economic crisis deepens, and reduced consumer spending becomes more of a risk, merchants that bought so-called 'safety stock' in response to pandemic-induced supply problems are now stuck with mountains of inventory which they are finding impossible to shift.

Many have been forced to learn the hard way over the last three years that supply chains are fragile and demand for products can go from sky high to rock bottom almost overnight.

Without the right tech systems in place, it's a combination that can lead to excess stock issues that have a devastating impact on cash flow – which is exactly what's happening right now.

Research by [Inventory Planner](#) revealed that up to 85% of retailers were impacted by the pandemic-induced supply crisis, with many left just weeks away from cash flow crisis point as a result.

## Why all the excess inventory?

In response to stock-out events, merchants attempted to rightsize by getting their hands on as much stock as they could when it was available in order to meet unprecedented online demand. Our study revealed two-thirds (62%) of merchants admit pandemic-inflated online demand (and fear of stockouts) was a major factor behind their stock purchasing.

This meant many ordered far in excess of what they normally would to build up 'safety stock' that they believed would protect them from ongoing supply issues – and crucially avoid disappointing customers with stockouts.

However, when it comes to buying inventory, timing is everything – it's the key to avoiding excess stock while also meeting demand.

The unprecedented e-commerce demand seen at the height of the pandemic didn't last. As the cost



of living crisis and economic downturn kicked in, demand dipped (and has remained unpredictable since).

Even during the festive season just passed, sales were lower than usual with many consumers splashing out less on consumer goods in order to pay for food, fuel and other essential supplies.

The result? Thousands of merchants in the UK and USA struggled to accurately forecast demand and have ended up with warehouse shelves stacked with stock they didn't shift

in the run up to Christmas – and certainly can't shift now.

**Key stats:**

**89% of retailers have experienced an increase in costs over the past 6 months.<sup>1</sup>**

**Ordering and holding inventory is one of the biggest expenses for retailers**

**For every dollar US retailers make, they have \$1.35 of inventory in stock.<sup>2</sup>**

**Why's it such a big deal?**

These statistics paint a daunting picture of how increasing costs are eating heavily into retailers' margins, adding strain to the already-slim high-growth and low-profit models many operate under.

It's hard for retailers to survive right now, let alone be profitable. Worryingly, even a previous track record of growth or high profits don't make merchants immune from the risks of failure and holding excess inventory has proven to be fatal for a number of successful brands.

British furniture brand MADE.com went public on the London Stock Exchange in 2021 with a valuation of £775 million but was out of business less than a year later and established countrywear brand Joules recently entered administration. Both brands blamed their failure on getting caught with massive inventory at just the wrong time.

Many American and British store chains are sitting on so much inventory that brands — particularly those in the apparel sector — have resorted to offering major discounts. Target saw its shares tumble after it slashed prices to [clear out unsold inventory](#) last summer while Walmart's inventory was up 33%.

Excess stock is now considered the biggest threat to online brands in 2023. Here's why:

- **It can severely hit cash flow.** Tying up your money in inventory means there's less available for paying bills, salaries, rent and for investing in new products. Poor cash flow means you might need to borrow money – and pay interest on it. It also means you may not be able to afford to take advantage of

opportunities that could benefit your business.

- **It takes up space.** Inventory storage is a major expense. Every square inch of warehouse space occupied by excess inventory is a square inch that isn't occupied by more popular (and more profitable) items.
- **It hits your profits.** Excess stock is often eventually liquidated – the heavy discounts needed to shift it can hit your profit margins hard.
- **It can escalate fast.** Retailers currently hold just 19 days of cash on average and high-growth, low-profit models mean there is hardly any room for error. Just a couple of false moves when it comes to inventory can be all it takes to make a business run out of cash, and then ultimately go out of business.
- **It makes you less agile.** Modern e-commerce brands have to be able to adapt quickly to the ever-changing demands of modern consumers. If you're overrun with unpopular inventory, you're less able to respond flexibly to market shifts.

**In the UK, the average value of excess stock per merchant is £66,000, equivalent to 19% of overall inventory.**

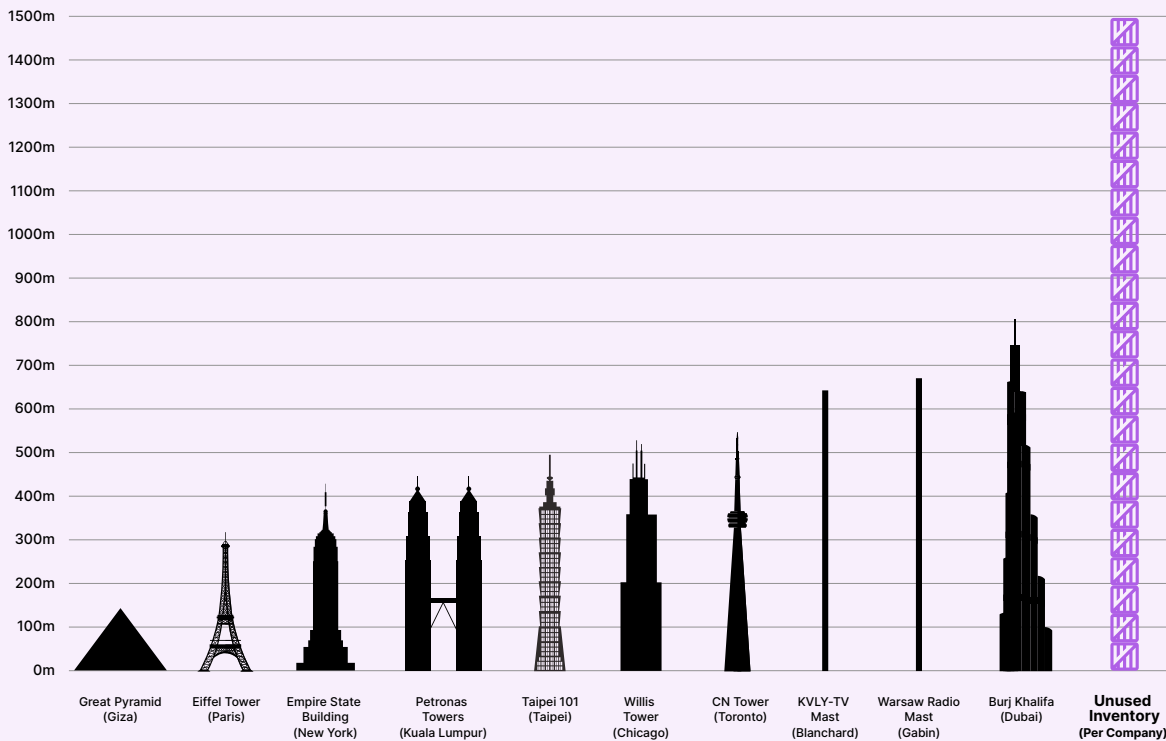
<sup>1</sup> Digital Information World | [Retail Price Hikes Due to Inflation](#) <sup>2</sup> Shopify | [Inventory Costs](#)

## Visualizing the scale of the problem

Nearly half of all retail brands (45% in the UK, 42% in the US) have surplus goods they're desperate to offload. In the USA, the average retailer is hoarding \$48,000 of excess stock, equivalent to 22% of their overall inventory. In the UK, the average value of excess stock per merchant is £66,000, equivalent to 19% of overall inventory.

The graph below shows how the typical amount of excess inventory, if it was stacked one-by-one into average-sized medium cardboard boxes, would reach 4888ft – making it the biggest structure in the world! That's a lot of inventory going to waste – and a lot of cash tied up in it.

### Your pile of unsold goods is higher than Burj Kalifa



## A risk you can't afford to take

The scale of the problem is very much on the minds of merchants as we head into 2023. Excess stock is now cited as a 'major concern' for up to 47% of retailers, with up to 59% of brands worried they'll be left with no choice but to slash prices and liquidate their superfluous goods.

As it's now clear how integral inventory is to cash flow, merchants can't afford to mismanage it any longer.

Making vital purchasing investments based on 'instinct' or inaccurate data will invariably lead to poor decision making, expensive overheads and poor cash flow. It could even lead to the breakdown of your business.

Thankfully, there are solutions – and this report will walk you through them.

## Why is excess stock such a problem right now?

1. Merchants struggled to get hold of products during the pandemic and supply chain crisis
2. When stock eventually became available, merchants ordered more than they needed to avoid the risk of running out
3. Consumer demand dipped due to the economic downturn and cost of living crisis
4. The 'safety stock' merchants bought turned into excess stock and hit cash flow

**Inventory Planner helps you reduce overstock**

[Book a tailored demo](#)

[www.inventory-planner.com](http://www.inventory-planner.com)

[Book a Demo](#)

[Follow us on LinkedIn](#)

[Follow us on Facebook](#)

## Chapter 2

# Could 2023 Be The Worst Ever Year For Excess Stock?

If your warehouses are still piled high with stock you thought you'd shift in December or before, it's not just you.

Although it's a particularly serious issue this year, excess stock isn't a new problem for brands that aren't using the right inventory planning software – especially in the weeks after the Christmas peak.

Let's look at the extent of the excess stock issue this time last year (January 2022)...

**Half (50%) of US businesses had excess stock after the holiday season.**

**Most businesses went into the festive season plagued by excess stock...**

### Top 5 sectors hit hardest by post-holiday season excess stock:

1. Baby & toddler (100% of brands left with excess stock)
2. Homewares (62%)
3. Luxury goods (55%)
4. Fashion & footwear (52%)
5. Sports, leisure and hobbies (50%)

### Size matters

Medium-sized retailers (with a turnover of £/\$10-50m) were worst affected by excess stock after Christmas.

**Small brands**  
(turnover of £/\$0-10m) **45% affected**

**Medium brands**  
(turnover of £/\$10-50m) **67% affected**

**Large brands**  
(turnover of £/\$50-500m+) **57% affected**

### What about this year?

If excess stock was an issue in January 2022, it's likely to be a major problem in January 2023. Retail experts suggest it may even be the worst ever year for excess stock.

That's because merchants have already reported that they went into the holiday shopping season with more excess stock than normal. Plus, we know that demand was considerably lower than normal this year.

Altogether, it's a recipe for an excess stock disaster.

But all hope is not lost – keep reading to find out how you can fight back.

## Chapter 3

# How to Avoid Excess Stock, According To Merchants

We've established that holding more inventory than you need doesn't make good business sense. In fact, in this report we've shown you that it's a threat to your cash flow.

But can it really be that bad? What are the real-world risks of not effectively managing your stock levels? Check out what three successful e-commerce brands, who also happen to be Inventory Planner customers, have to say about it...



### Who are they?

DTC e-commerce sports brand specializing in cycling clothes and accessories.

### What they say:

**Michael Tomchin**, Founder & CEO at [Cycology](#), says:

"The dangers relating to inventory are really simple – you can either under or over order.

If you've got a heap of size small but you're out of stock of large, which is the one everyone goes for, you'll lose out on sales and have capital tied up in inventory that's not moving. It's of absolutely no value to have heaps of the wrong sizes and it's a massive risk to cash.

You need to be able to match your selling pattern with your stock on a variant level – but to try to do that manually is very daunting.

Inventory Planner does it for me and helps me see which products might be slow moving so I can adjust my sales strategy accordingly."

## Vikki Vi.

### Who are they?

New York-based apparel brand, known for its range of designer clothing for plus size women.

### What they say:

**Danielle Malconian**, CEO at [Vikki Vi](#), says:

"As a retailer, overbuying is a frightening thought – these days you could go out of business. Cash flow is everything.

If dollars are caught up in inventory that you're not able to sell, you can either go out and find more money somehow, or you're in a situation where you have to discount to survive.

But the more you discount, the more customers expect discounts. They aren't going to buy at full price when you've previously given them 40% off.

I've carefully tried to balance that but it meant I was selling at full price, unable to scale. Inventory Planner has allowed me to bridge those two aspects together so now I'm able to grow the business.

Before, it was just me, sitting down with my excel sheets trying to figure out how much to buy. Now we trust Inventory Planner implicitly to predict demand. The numbers are always right."



### Who are they?

A multichannel B2C brand from Kent, Washington, that specializes in data-driven baseball performance training

### What they say:

**Emily Coolbaugh**, Chief of Staff at [Driveline Baseball](#), says:

"With recession looming, the power to make informed decisions about inventory is invaluable.

Without our [inventory planning](#) software, we'd just be taking a stab in the dark when placing orders.

We need to ask, 'hey, exactly what are we gonna need for the next 45 days?' and Inventory Planner tells us down to the last unit what we need to order, factoring in our supplier lead times.

It's a genuinely game-changing tool – especially in the current market. It's great to be able to go to the CEO with an exact report of our inventory – and it's not in a random Google sheet that only one person understands.

Thanks to Inventory Planner Premium we are able to order inventory in an on time delivery scenario so we only have inventory that we need.

In short, it gives us the power to make informed decisions about inventory."

### Top takeaways

1. Holding more inventory than you need is not the solution to mitigating the supply chain crisis
2. So-called 'safety stock' actually introduces risk, especially to your cash flow and margins
3. Trying to manually manage your inventory planning using spreadsheets and guesswork is a recipe for disaster
4. In the current unpredictable environment, accurate forecasting makes a huge difference
5. Merchants need an intelligent, simple way to handle your inventory planning - and [Inventory Planner](#) is it.

[Book a tailored demo](#)

# Views from e-commerce technology experts...



## Stream

“

Deep dive into your data. Look at trends over the last 12-months and identify which products you're going to be struggling to shift - then it's a case of looking at ways to move that stock as quickly as possible: flash sales; create bundles with either popular items or other unpopular items (and make the deal sound too good to be true) immediately spring to mind.

If you're running physical stores, maybe certain products sell better and faster in certain locations. If so, trunk those products to the stores where you're going to sell stock the fastest.

To prevent excess stock in the future, invest in your tech stack now. Better inventory planning and forecasting software will make the analysis of data much more effective so you can make informed purchasing decisions now and into the future.

**Dave Pickburn,**  
CEO & Founder, [Stream](#), a logistics software application for businesses managing deliveries and collections



## Huboo

“

Excess stock that isn't selling can be a real issue for e-commerce retailers as it causes them to rack up unnecessary storage costs. To shift the stock, retailers can put it on sale, but of course this comes with the reality of reduced profits - and can often be loss-making. You also end up utilizing valuable bandwidth in marketing to support clearance campaigns rather than looking forward and pushing high margin products.

Cash flow also needs to be considered. Utilizing working capital in storing unnecessary stock - and investing in it in the first place - means there is less available capital for inventory that is going to sell well. Often stock has long lead times on it, so delaying ordering due to cash flow issues, could result in not having any stock at all for certain periods of time.

To avoid excess stock issues altogether, inventory forecasting software can help retailers to take a longer view and ensure they are only purchasing the stock they know sells well. It's also key to work with the right fulfillment partner; one that can get under the skin of the retailer's business, share insights on product sales patterns and help them plan for the months ahead.

**Calum White,**  
Head of Partnerships, UK&I at [Huboo](#), an eCommerce fulfillment company





“

We do a lot of work with brands to help them stay agile and maximize their margins by automating their product data management (which means saying goodbye to spreadsheets!)

Centralizing and automating product data processes allows brands to create compelling product pages that convert, and prepare and distribute their products in minutes. This means it's easy to amend & optimize products that are underperforming and react to market and stock changes in a fraction of the time. We've seen this agility make a huge difference in avoiding the build-up of excess stock and reducing the risk of the dreaded 'out of stock' alert, impacting overall sales.

Ultimately, this control over your product data allows you to link up to powerful tools such as Inventory Planner to action insights and get the best out of your tech stack.

**Martin Balaam**

Martin Balaam, CEO, [Pimberly](#), a platform for all your product data and digital assets.



“

Stock planning should be a collaborative task supported by e-commerce teams. If a product isn't receiving any traffic, the likelihood of clearing stock is low. The products and stock ordered should correlate with planned trading mechanics and brand campaigns. Buying and e-commerce teams should have a symbiotic relationship, informed by data.

Equally, the benefit of Digital e-commerce is the ability to influence a customer's purchase decision through targeted product exposure within the customer journey. Simply increasing the visibility of a product can support sell-through.

If you are faced with excess stock, the obvious and often quick-to-adapt option is to discount the products through a sale – it works, but it's not the right solution for every brand. Use the Digital Marketing Channels to your advantage by strategically targeting a price driven customer, without the need slash prices on site. 'Gift with Purchase' or creating product bundles provide another solution to drive sell-through on excess or 'old' stock, with the added benefit of supporting AOV and adding value to the customer. Finally, retailers shouldn't be afraid of proactive stock clearing initiatives; flash sales drive conversion through urgency without impacting brand perception in the way often see with clearance messaging. Tactics around big seasonal trade events should also be considered for shifting stock at scale, for example summer and winter sale periods.

**Grace Monk,**

Head of eCommerce, [eComplete](#), an e-commerce growth partner and capital investor.



“

Ineffective stock management can truly make or break a business. Most businesses aren't in the mindset that inventory is capital, but given inventory is probably where the bulk of a business's wealth is until it's sold, they really should.

We wouldn't manage our cash flow without systems support and regular auditing. That's why businesses should invest in inventory management software and regular audits: cycle time, turnover, count, and fulfillment time, if they want to maximize inventory performance and avoid overage or underage.

**Lonya Sherief**

Supply Chain Director, [eComplete](#), an eCommerce growth partner and capital investor.

## Chapter 4

# 5 Simple Ways To Shift Your Excess Stock FAST

If you've been struggling with excess stock, you might be hoping that consumer demand suddenly picks up, or that the economic situation will suddenly improve or that an influencer might post about the exact product you've got piled high in your stock room and there'll be a surge in orders.

However, as the old adage goes, hope is not a strategy.

Instead, here are five smart, practical things you can do, starting today, to shift your excess stock.

[Book a Demo](#)

[Follow us on LinkedIn](#)

[Follow us on Facebook](#)

## 1. Flash sale

When you've invested your hard-earned cash in inventory, it can be hard to admit that it's not going to bring in the profits you hoped. At this time of year especially, it's likely best to give up the good fight and take a loss on your excess stock.

Promotions and flash sales are a tried-and-tested way to shift excess stock fast – and still bring in some (albeit limited) revenue. The first step is to identify all slow-moving items using [Inventory Planner](#). Then decide on your discounting strategy – it can work well to take a staggered approach over a number of weeks (for instance, offering 25% in week one, 50% in week two, 75% in week three).

Automatically connecting these analytics to your product data using a Product Information Management (PIM) platform like [Pimberly](#), it becomes simple to remain agile with your product discounting. PIM platforms allow you to prepare your discount campaigns in advance, meaning at just a click of a button you can set the sales live, or turn them off.

## 2. Fresh marketing

Digital marketing is now so expensive (the average CAC has jumped 222% since 2013) that merchants have had to be extra careful where they spend their marketing budgets. Perhaps that means that your excess items didn't get the marketing push they need to drive demand.

A fresh marketing push on stale items can work – but set a strict budget and try lower-cost, lower-risk methods like email marketing, rather than a costly social or PPC campaign.

Another quick and easy option is to revamp your product descriptions, or add in some extra personalized content. Especially in industries like fashion and homeware where purchases are more emotive. Unique product copy will also boost your site's SEO ranking, which will positively impact your product discoverability without affecting your marketing budget.

## Baffled by bundles?

Inventory Planner provides the insight you need to make bundling items profitable.

[Book a tailored demo](#)

### 3. Bundles

As well as using inventory planning software to see which products aren't in demand, you can also use it to identify which ones are. It can also show you who your best customers are.

Use this information to your advantage. Combine fast-moving items with slow-moving ones in discounted bundles. Use the excess items as free gifts for your VIP customers or when new customers spend a certain amount. Add an upsell pop-up to add an excess item for a nominal amount, or simply offer 2-for-1 or even 3-for-1 bundles.

### 4. Donate to charity

If you're still left with stock after trying discounting, bundling and marketing, why not donate it to a non-profit organization or charity of your choice? It might not boost your bottom line but it's a way to get rid of the inventory once and for all and do some good at the same time.

Remember to keep records of what you donate as it should all be tax deductible

(but seek advice from your accountant for specifics) and don't be afraid to share about your donation on your social media channels – it's a proven way to build reputation.

### 5. Focus on other regions and channels

As every multi-channel or multi-region retailer will tell you, what sells well in one area of the country won't sell well in another. The same applies to sales channels. This means if you have excess stock, it's worth looking at your data to check for opportunities to shift the items with a decent margin intact.

[Inventory Planner](#) will show you the performance of every item, in every variant, across all regions and sales channels. Use this insight to easily spot which channels and regions you should focus on as you push your excess stock – either at full price or with a discount.

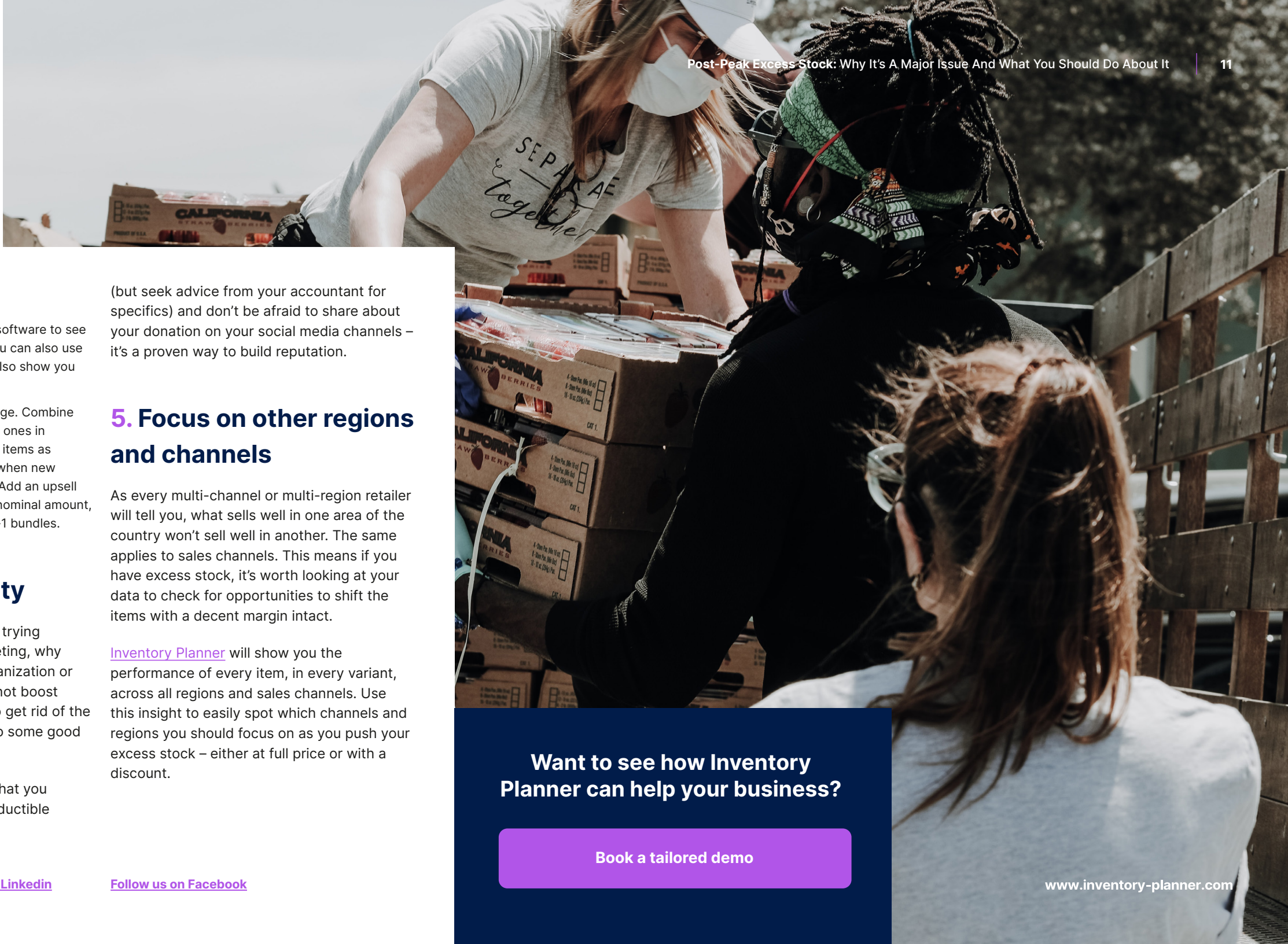
[Book a Demo](#)

[Follow us on LinkedIn](#)

[Follow us on Facebook](#)

Want to see how Inventory Planner can help your business?

Book a tailored demo



## Chapter 5

# Proactive Preparation: How To Avoid Excess Stock Next Festive Season

Even if the economic outlook improves and consumer demand increases, excess stock is always a risk – especially for e-commerce merchants – unless you take action to prevent it.

So with this year's excess stock sorted, now is the time to think about how you can avoid a similar situation next year (and the years after that).

Inventory Planner is your number one tool for keeping excess inventory at bay. Let's look at 11 ways it can protect you from excess stock...

### 1. Knowledge is power

Understand the true extent of your overstock problem. If you get an inventory planning tool set up now, you'll have a year's worth of historical data on your performance and purchasing next festive season, which you can use to make better decisions that boost your profit. Inventory Planner is the #1 inventory app – it shows you exactly which items are overstocked and how overstocked they are (including exactly when they would sell out at the current rate of sales, which might be much further into the future than you imagined).

### 2. Reveal the value of excess stock

Inventory Planner tells you the retail and cost value of the overstocked or 'excess' units so you can prioritize which items to focus on first. This is especially helpful if you have a general sense that you have too much cash tied up in inventory, but you don't know the size of the problem or exactly how bad it is.

### 3. Integrate your analytics

[Inventory Planner](#) integrates with a huge range of leading tools and platforms, including Google Analytics. The data from Google Analytics, such as page views and conversion rate, can help merchants work out why excess stock is happening (for instance, if an item is getting traffic but not conversions a merchant may need to change the price, images or description).



## 4. Add in flexibility

It's important to be flexible with your stock cover days and lead times, especially when supply is tricky. Merchants often end up with stockouts when stock cover days aren't increased in line with increasing lead times. Inventory Planner makes it easy to adjust this, offering customizable, time-based replenishment recommendations so you can order to cover a certain and specific amount of time.

## 5. Super-specific forecasting

[Inventory Planner](#) offers forecasts and buying recommendations based on the multiple variants of each item (including size and color) so you can be super specific with your purchasing to avoid excess stock of certain variants.

## 6. No more 'safety stock'

Eliminates the old-fashioned tactic of ordering 'safety stock' by offering time-based planning with built-in buffers for supply chain issues. Rather than ordering

a set number of units as 'safety stock', [Inventory Planner](#) lets you order for 21 or 30 or 45 days at a time and to customize each order depending on variant and location, so that the perfect amount of stock is ordered.

## 7. Advance warning of overstock

Inventory Planner flags up items that will be overstocked at the end of your planning period. For example, if you have a five day lead time and want to order for 10 days at a time, then Inventory Planner's overstock feature will look ahead at your forecasted demand, current stock levels and any units on an open purchase order to predict what the stock level will be on the 16th day. It will show you a forecast of the number of units along with the retail and cost price of the overstock, so you can adjust your ordering accordingly.

## 8. Use different forecasting methods for different products

Inventory Planner's customization options mean that each variant can use the

appropriate forecasting method. Often the same product catalog has both seasonal and non-seasonal items but it's important they are forecasted differently. Inventory Planner makes that simple.

## 9. Make sure you have the budgets

Inventory Planner's open-to-buy planning helps you plan inventory investments at a high-level for the mid- to long-term (usually 6-12 months). Use open-to-buy (OTB) to plan for the right investments and avoid overstocking in the first place.

## 10. Forecast for new products

Inventory Planner's assortment report and 'combine sales' functionality show you how new products will perform, even before the new items have sales history. This helps stop excess stock accumulating, even for 'unpredictable' items.

## 11. Check your product data

One of the benefits of having visibility over your inventory is the actionable insights it provides. Make the most of this by setting routine checks on under-performing products to see if there's an easy tweak you can make to impact sales. For example, how powerful is the product data of these products? Are there any missing or misformatted imagery? How detailed is the product description? Have you personalized your product content to stand out from the competition? Linking the analytics from Inventory Planner directly with your product information management through automation makes it super simple to run these checks, optimize your products and increase your chance of boosting sales.

**Make excess stock a thing of the past with Inventory Planner.**

[Start your free trial today](#)

[www.inventory-planner.com](http://www.inventory-planner.com)