



eComEngine



HOW TO MISMANAGE

Your FBA Inventory:

Five Ways to Get it Wrong

INTRODUCTION

There are numerous benefits to participating in the Fulfillment by Amazon (FBA) program. But there are also several ways to get it wrong.

It's a mistake to think that FBA handles everything. Things move fast in the Amazon space, and keeping up can be challenging. You need to be able to stay in stock without overstocking, keep track of your profitability for each product in your catalog, and manage your supply chain effectively.

With so many tasks to manage, staying focused can be difficult. While FBA can help you scale your Amazon business and generate more revenue, success is not guaranteed. In this download, we'll discuss five common inventory management issues and what you can do to avoid them.

1. Not Actively Managing Inventory

In some ways, using FBA lets you put order fulfillment on autopilot. You're not physically fulfilling each order. Amazon handles customer service and returns on your behalf. But selling via FBA doesn't mean you get to outsource every aspect of your inventory management.

FBA changes the game while raising the stakes. Instead of sending individual orders, you're sending shipments to fulfillment centers. And in some cases, you might be managing both merchant-fulfilled orders and trying to stay in stock at FBA.

You need to meet Amazon's specific shipping requirements and make sure you keep enough inventory in stock without overstocking. As your FBA business grows, too much data can become a problem.

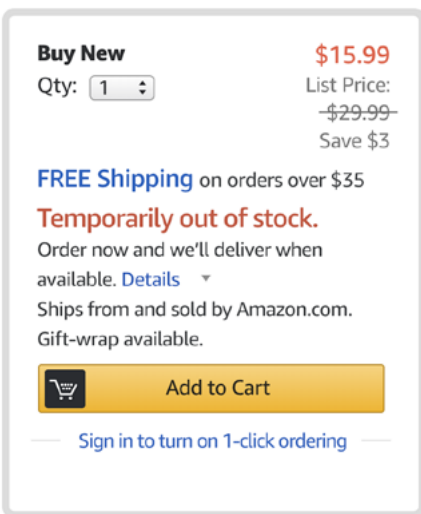
Trying to manage your inventory with spreadsheets gets overwhelming fast, especially if you sell multiple ASINs, items with variations, or bundles..

Actively managing your inventory is more important than ever. Although you're outsourcing some of the day-to-day tasks to ensure that orders are fulfilled promptly, you need to be planning ahead for peak seasons. This is especially true if you sell seasonal items.



You also need to be able to make quick decisions about what, when, and how much of an item to stock or restock. That means staying up to date on industry trends, continually assessing demand, and understanding each product's profitability potential. The FBA market is fluid. Sales velocities change, competitors enter and exit, and margins grow and contract. You need to be ready to respond accordingly.

2. Stocking Issues



Stocking out can kill your sales and your hard-earned product rankings. If your hot items go out of stock you might as well be handing the sales to your top competitors.

On the other hand, overstocking can reduce the amount of inventory you're eligible to send to FBA. If you have overstock that just isn't selling, removing the excess inventory can get costly.

In some cases, you may need to pay removal or disposal fees to free up the space. Aging inventory is subject to additional storage fees, so you really don't want inventory that isn't selling hanging around the fulfillment centers.

Staying in stock without overstocking is no small feat. It's also an ongoing juggling act, as the inputs that affect your stocking decisions are constantly changing. Streamlining the decision-making process can help you reduce risk and increase profits.

Questions to Consider Before Restocking

- Is the item profitable?
- Are there other FBA sellers?
- Is Amazon a seller?
- How fast is it selling?
- How many days of inventory do I have on hand?
- What does next quarter look like?
- What is the lead time for my suppliers?
- How much is available from my suppliers?
- Are any of these already on order?
- What is the preferred case-pack quantity?
- Are there any minimum levels for reordering?
- Are there any bulk discounts or other specials?

3. Losing Track of Profits

The first question in that list (“Is the item profitable?”) is crucial but easy to overlook. Shifting from fulfilling orders yourself to FBA will likely lead to increased sales velocities. But sales alone don’t always translate into profits.

In some cases, FBA leads to higher margins. Even after accounting for FBA’s fees, many sellers still find that leveraging Amazon’s infrastructure is less costly than building their own.

In general, however, FBA seller margins remain tight. That is due both to Amazon’s upwardly trending fees and relentless competition driving down selling prices. And when both sales velocity and a seller’s total SKU count increase, it can become more difficult to keep tabs on margins.

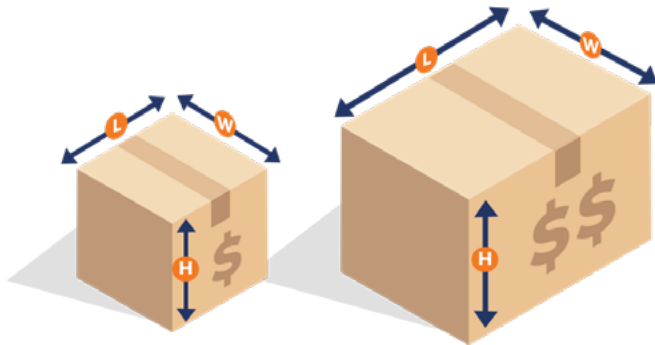


Rising fees and stiff competition lead to tighter margins.

Which products are profitable and which are not? What is the estimated margin for each SKU at any given time? How much competition does each item have?

Having ready access to the right answers can improve your decision about whether to continue selling an item and, if so, how much to keep in stock. It also helps take the emotions out of your stocking decisions. For example, if you're clinging to the first product you started selling even though it's no longer profitable or you have other products that far outperform it, really looking at the numbers can help you make informed stocking decisions.

4. PO and Shipment Errors.



Mistakes happen. Your supply chain is an imperfect process, subject to changes and errors at any point along the way.

You could write a PO for 100 items but receive only 90.

Or break several while unpacking and then over-count your local inventory. An Amazon fulfillment center worker might misread your labels. Amazon could lose track of items, or even boxes of them. You could forget about another inbound shipment to Amazon for the same product. Customers return items purchased. The list goes on.

Each of these variables impacts your business. Take [returns](#), for instance. Should you defer to Amazon on whether those returns are 'unfulfillable' and default to automatic removal? Given the slim margins discussed above, even slight errors or discrepancies may have significant consequences.

Running a tight ship is a matter of avoiding mistakes where possible, quickly identifying discrepancies, minimizing their impact and making adjustments and corrections on the fly.

To achieve those goals, you might need to retool parts of your operations. Here are some suggestions:

- Automate routine processes to reduce data-entry errors
- Build POs with data checks, such as expected shipping weight
- Deploy flexible tools that simplify adds, deletes, or changes
- Use visual data tools to help monitor your inventory supply chain

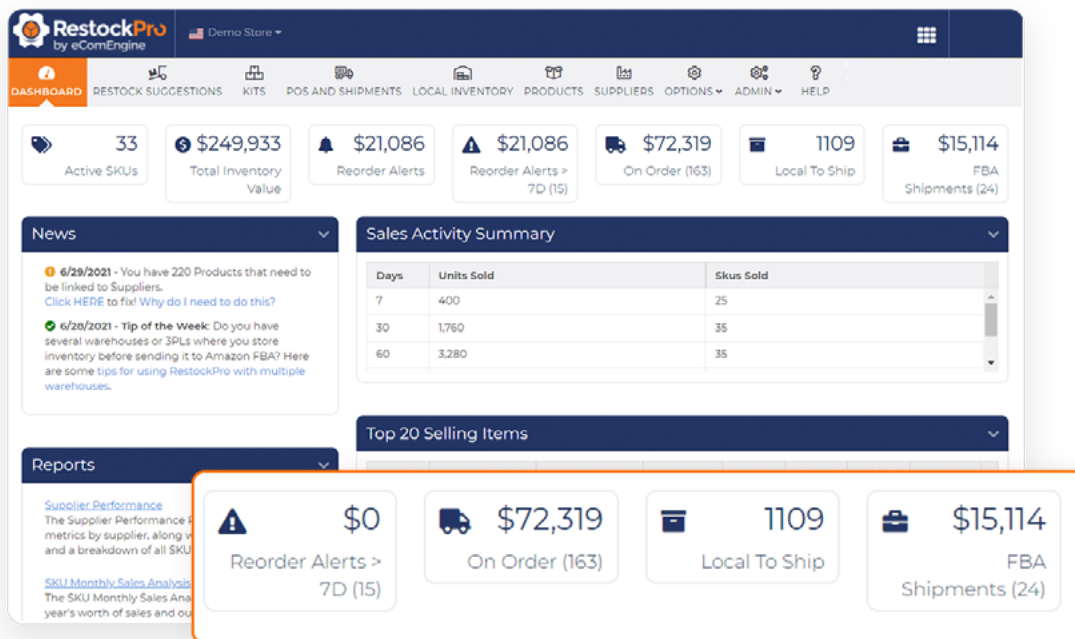
5. Data Overload and Lack of Visibility

The FBA program can simplify your operations and certainly reduce the physical labor and time required to run an online business. But at the same time, it can increase other demands of the job.

With potentially high sales velocities, large numbers of SKUs, and unique relations with multiple suppliers, you need to stay current with a tremendous amount of detailed and constantly changing information. Too much data, however, can induce a kind of analysis paralysis.

Successful FBA sellers have coped with this predicament in a number of ways. In some cases, they simply rely on their intuition and gut. Others turn to [Amazon's inventory reports](#), which can be combined with homegrown spreadsheets into a workable decision-making tool. Others have opted for software that is either not explicitly designed for FBA or over-engineered (and over-priced) for their purposes.

Luckily, there is another solution. [RestockPro by eComEngine](#) is a purpose-built and affordable FBA inventory management tool. It transforms inventory data into actionable information. The dashboard includes current data and customizable views. You can manage shipments and suppliers, build kits/bundles, print FBA labels, and much more. Best of all, RestockPro analyzes over 70 data points to help you make informed restocking decisions in a flash.



See the Right Data at the Right Time

Not every FBA seller needs help with inventory management. Those who source their inventory with one-off purchases may do just fine with a more hands-off style. But that is unlikely to work for anyone running a business with multiple suppliers and ambitious business objectives.

To optimize inventory levels, drive profitability, and tighten your supply chain, you need to be engaged with the right data at the right time. Doing so amidst a sea of information is difficult. Relying on your instincts and juggling disparate spreadsheets makes it hard to catch profitability issues.

About eComEngine

eComEngine has been providing intuitive, enterprise-class software solutions for Amazon sellers since 2007. Our innovative and cost-effective tools help Amazon merchants of all sizes streamline operations and increase profits.

RestockPro is a flexible, easy-to-use inventory management tool powering over \$1.8 billion in sales with actionable decision support. It provides Amazon FBA sellers with actionable intelligence and tools that drive inventory optimization, profitability, and process automation. Check out this [short video](#) to see how it works!

