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The Billion-Dollar Blind Spot

How Inaccurate Inventory Is Silently Sinking Retail Profitability



46%
reduction in customer wait times

57%
reduction in shrink & loss is possible

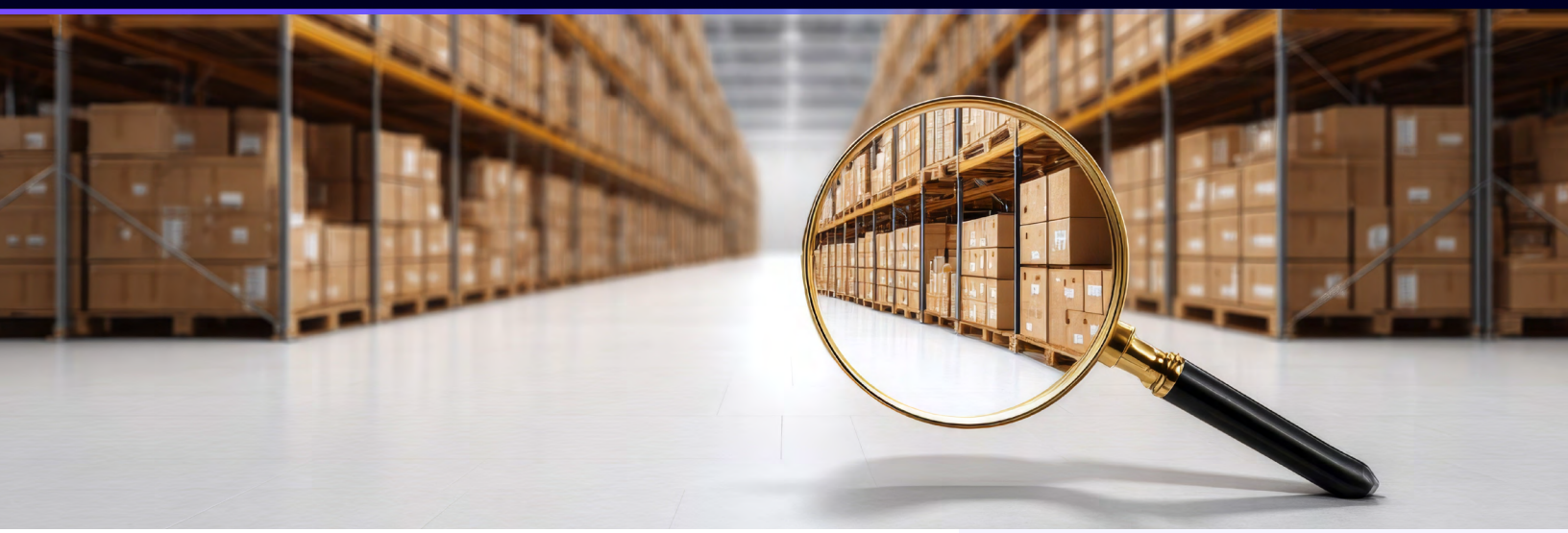
98%
inventory visibility achievable

$53.8M
potential annual revenue gain

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Chapter 1:
The Inventory Accuracy Myth



Most retailers operate under the dangerous assumption that their inventory is accurate. With gaps between what their systems report and what's actually on the shelves, they're limited in how well they can meet customer expectations. Retail's digital transformation has given brands more power than ever before to know their customers, engage them with relevant offers, and personalize service. But once an enterprise captures consumers' attention, they need to build their trust, convert sales, and build revenue by accurately communicating what's for sale.

Accurate inventory, is, of course, just one element to meeting customer expectations. Engaged associates create a customer-friendly environment and are dedicated to enhancing shopping journeys. They also effectively upsell and cross-sell, ensuring customers have everything they need to be satisfied with their purchases and maximize revenue. Using point of sale (POS) and retail management technology provides the foundation for low-friction, fast, and efficient checkout experiences and customer service. However, the basis for meeting customers' expectations is accurate inventory data and efficient inventory management.

> *Inventory data doesn't fail loudly. It fails quietly and expensively.*

When the items customers expect aren't available, shoppers will pull out their smartphones and turn to a competitor where they can find the items they want. That often leads to a permanent change in loyalty and loss of market share. But retailers also create operational challenges that translate directly to increased labor costs and decreased profitability.

Inaccurate inventory impacts every area of a retail operation:

- Forces associates to spend more than 60% on basic tasks
- Increases average customer wait times by 46%
- Hides sources of shrinkage, waste, and fraud
- Creates barriers to accurate forecasting and revenue growth

The bottom line:
With inaccurate inventory, you're losing money, and you don't even realize it.

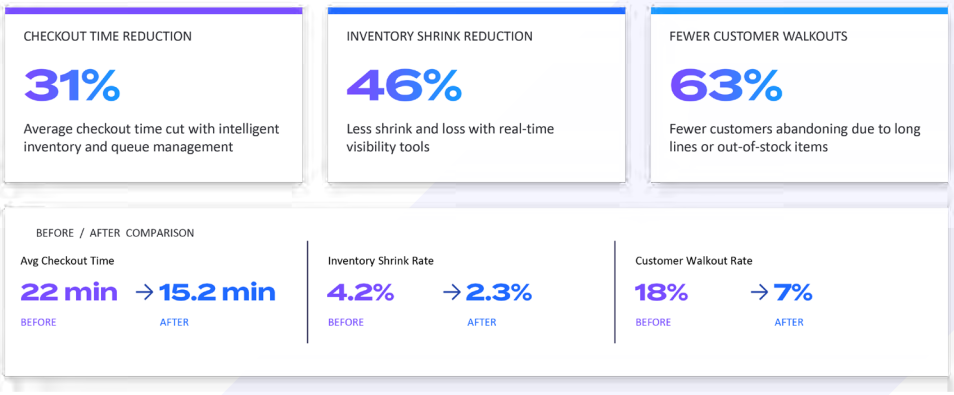
Chapter 2:
The Compounding Cost of Inaccuracy

Inaccurate inventory data is the root cause of many operational inefficiencies, shrinkage, losses, and higher overhead costs. But because inventory doesn't fail loudly, but rather quietly and expensively, organizations often miss the total impact.

> An Oxford Economics study shows what inaccurate inventory actually costs:

In Checkout and Inventory Count Workflows

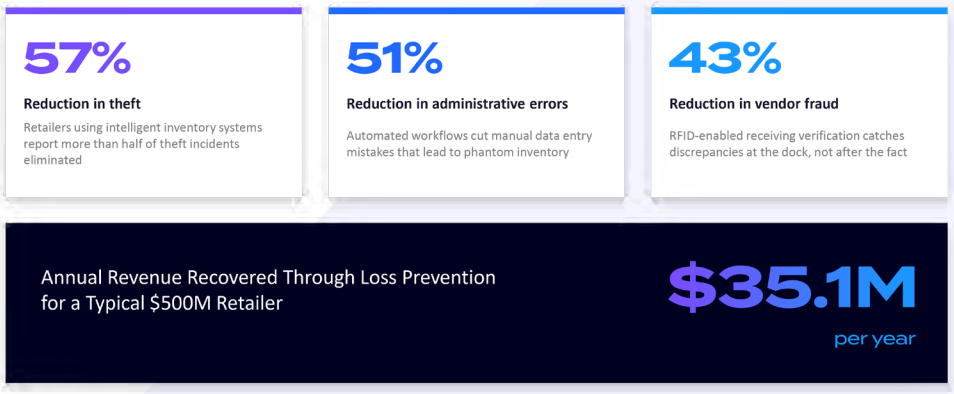
Inaccurate inventory is a factor in slow checkout speeds and long wait times. A digitized inventory management system increases checkout speed and accuracy by 63% and decreases wait times by 46%. Tracking inventory with barcode or RFID technology from receiving to sale also reduces the time teams spend on inventory counts by 31%.



In Loss Prevention

Controlling shrinkage is critical when margins are tight and business viability is on the line. Retailers who implement solutions that provide them with real-time inventory data reduce shrinkage, waste, and overall loss by 57%. They also have a 51% greater ability to detect hidden product losses and 43% minimized fraud.

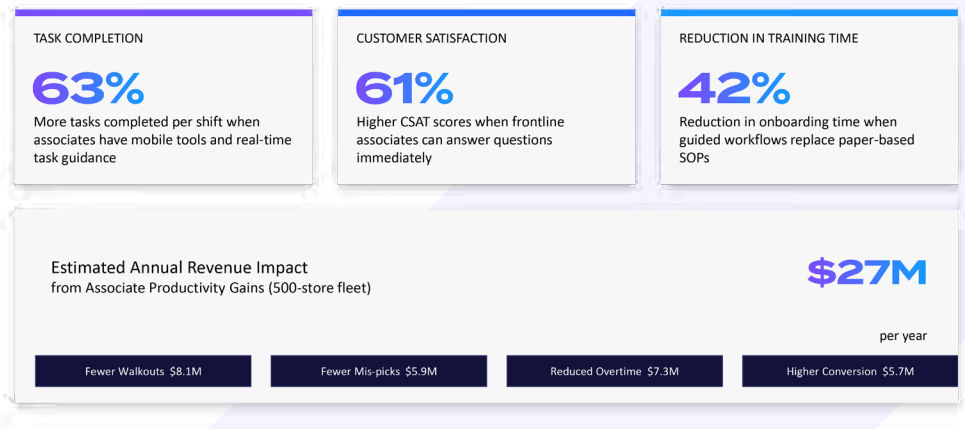
Inventory visibility helps retailers pinpoint sources of leakage and losses so they can address them to improve profitability. Item-level inventory data enables the best omnichannel operation, supporting the highest volume of sales. Without inventory accuracy, an enterprise cannot come close to maximizing revenues and profits.



Chapter 3:
When Inventory Lies, Labor Pays the Price



In addition to impacting workflows and leading to shrinkages and losses, inaccurate inventory has a direct impact on labor costs. When inventory data is incorrect, retailers are effectively paying their employees to fix that bad data, spending valuable labor hours searching for items, correcting discrepancies, and managing avoidable errors.



Overall, streamlining inventory management processes and data accessibility allows store employees, from the frontlines to the stockroom and back office, to work more productively. Retailers see more return for their investment in labor, with less wasted time.

Retailers that optimize inventory management with technologies, including barcode and RFID systems, mobile access to applications and data, and wearables for voice-directed and hands-free work, also gain workforce benefits. Modern tools that help employees perform their jobs more successfully contribute to greater employee satisfaction.

> Zebra Technologies' research revealed that equipping employees with the right tools can reduce employee turnover by as much as 8%.

Furthermore, customers benefit from the positive work environment retailers create in modern, connected environments. Shopping journeys are more pleasant, and customers will be more likely to return to make future purchases. The impact is measurable.

> Among retailers in the Oxford Economic study, workflow improvements result in 1.8% higher revenue growth, 1.5% higher profit growth, and a 22% decrease in operating costs compared to companies that continue to operate using legacy processes.

Chapter 4:
Customer Expectations Didn't Change. Their Tolerance Did.

Offering the merchandise that consumers want has always been fundamental to operating a viable retail enterprise. However, in the digital age, when consumers are more informed than ever before, and more options are just a click away, they're more discerning. If shopping experiences don't meet their expectations, they are less loyal, and customer lifetime value plummets. The keys to meeting their demands are inventory accuracy and optimization.



Customers Demand Accurate, Real-Time Inventory Data

Omnichannel shoppers expect consistent, complete inventory availability information wherever they interact. If a product is not available in the store, they want visibility into stock that can ship to their homes or to the store for pickup. If customers are shopping online, they want the confidence that the products they're ordering are truly available.

When a customer places a buy online, pickup in store (BOPIS) order for an item marked "in stock," the result isn't just a canceled order. It's a breakdown in trust that drives future purchases from a competitor. Accurate inventory data is foundational to building brand trust and long-term customer relationships. Consumers want to know that the information that retailers provide is updated and correct.



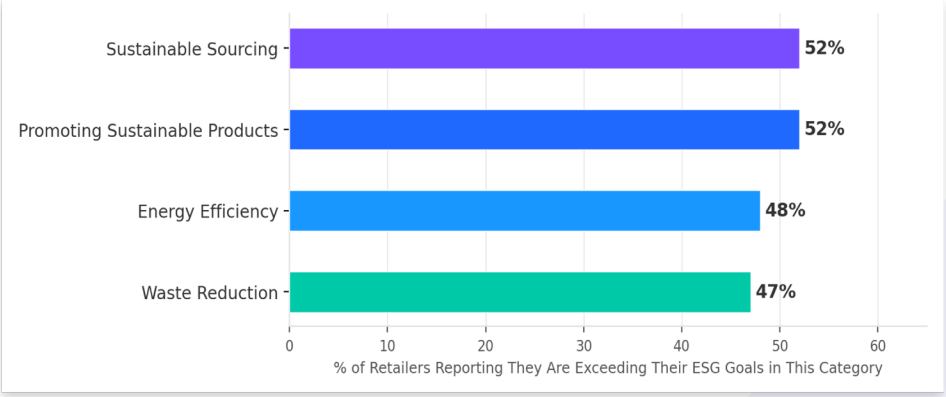
Customers Expect the Retailers to Keep Up with Trends

Shoppers are routinely frustrated when a retailer doesn't have hot items in stock. Forecasting requires analyzing market trends, seasonal data, and local information to ensure the right merchandise mix is available at each location. Successful retailers use insights from this analysis to inform strategic planning, purchasing, and customer engagement decisions. But without accurate inventory data, that analysis will be faulty.

> According to Zebra Technologies' research, collecting and analyzing inventory and other relevant data can improve forecasting by 9%.

Customers Demand Transparency into Sustainability

Today's consumers want more than products in certain categories to stock shelves. They want transparency into product manufacturing, sourcing, and packaging. Zebra Technologies' Global Shopper Study found that 76% of consumers are committed to purchasing eco-friendly, sustainable products, and 75% agree that supporting retailers who prioritize environmental and social responsibility is important.



Optimizing inventory, therefore, requires that retailers have a deeper understanding of the products they sell. They also need to make that information available to consumers through marketing, messaging, or responding to customer requests. Enterprises can only meet this expectation with modern, digitized inventory tracking processes that allow them to call up product information when necessary.

Meeting Customer Demands Depends on Connected Environments

Retailers are solving modern inventory optimization challenges and meeting customer expectations through technology implementations. The most successful retail enterprises define objectives to help them create competitive, customer-centric operations and apply technology to reach them.

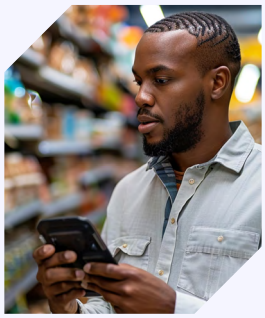
For example, leading retailers are:



Digitizing processes to decrease human errors that lead to inaccurate inventory data and customer disappointment



Building trust by using mobile devices to collect on-shelf availability data during stocking



Enhancing customer satisfaction by capturing data on perishable foods to ensure freshness



Decreasing buy online, pickup in store (BOPIS) wait times with greater inventory visibility across the organization



Pleasing customers with accurate forecasting to create an assortment in the correct quantities in the right locations

In each case, optimized, accurate inventory data is essential. Store employees, processes, and systems use the data to deliver the outcomes that retailers need to advance their strategies.

Chapter 5:
Why Traditional Inventory Metrics Are Failing Leaders

Retailers have traditionally relied on cycle counts to reconcile what's in their systems with what's on the sales floor. But cycle counts don't just have limitations. They create the illusion of accuracy by validating systems instead of reflecting real-world conditions. Compare cycle counts with real-time inventory tracking.

Cycle Counts

- Counted areas can provide an accurate snapshot of stock on the shelves and what's available for sale online or in different locations. However, staff won't count items in the wrong locations. The result can be discrepancies that lead to lost sales and dissatisfied customers.
- Cycle counts can require "freezing" inventory during the process to create an accurate snapshot that retailers can compare with records in their inventory management systems. Bringing movement to a halt can add time to order fulfillment and getting items on the sales floor.
- How successful the process is depends heavily on inventory accuracy in the retailer's management system. If an error occurs at receiving and items are not logged, it may never be counted or visible to omnichannel customers.
- Manual cycle counts are labor-intensive, requiring staff to perform the count within the retailer's schedule. Employees are focused on the count during that time, rather than on other activities.
- Cycle count frequency is based on priority, so when retailers rank inventory in "ABC" order, employees counts the "C" area less often than an "A" area. From one count to another, inventory in "C" areas may accumulate errors and experience shrinkage that hurts profitability.
- Teams can have a tendency to "correct" the count in the inventory management system but never get to the root cause of the discrepancy.

Real-Time Inventory Tracking

- Attaching RFID tags to items at receiving can track them and provide a continuous, accurate count, instead of a "snapshot" of inventory at a point in time.
- Freezing inventory is not required. When items are tagged with RFID at receiving, the retailer can track them to storage or sales floor shelves, if they're transferred to different store locations, when they're picked for online order fulfillment, and when a customer purchases them. Stakeholders can access data in real time, anytime, and have complete visibility into inventory.
- RFID technology provides a continuous, reliable source of truth, regardless of where items are stocked or stored.
- Labor is not required for counts, allowing them to stay focused on stocking, order fulfillment, assisting customers, or other responsibilities.
- All tagged items are counted at all times, regardless of "ABC" priority.
- Data collected by RFID readers will immediately show if items "disappear" due to theft or damage. The root cause of losses is easier for managers to determine.



Chapter 6:
What Trustworthy Inventory Actually Means

With trustworthy inventory, retailers know exactly what to reorder, where to place it, and when to act, enabling faster, more confident decision-making across the business. Retailers who replace an unreliable snapshot approach with automated inventory counting gain:



On-Demand Visibility

At any time, stakeholders, from the C-suite to sales associates and customers using their mobile devices, can see if an item is available. Additionally, online order fulfillment teams can quickly communicate if they've pulled products for shipment and, according to Zebra Technologies' research, even find 90% of products more quickly and easily.



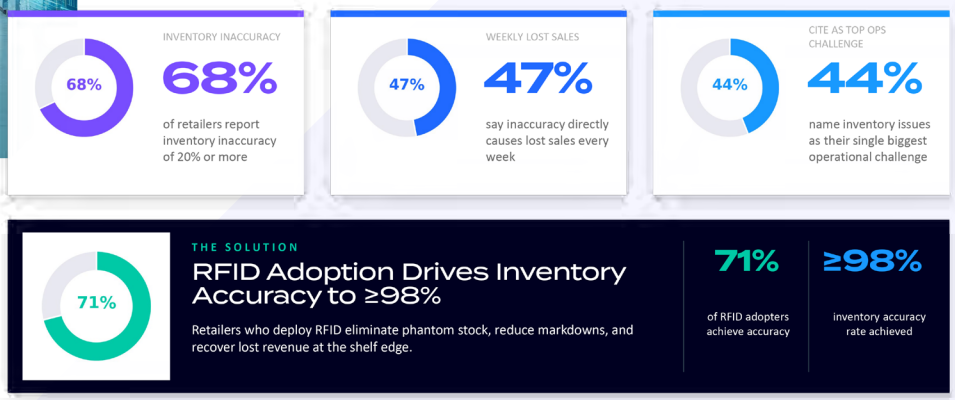
Decision Confidence

The data from an automated inventory tracking and management system will enhance pivotal tasks, such as forecasting, purchasing, warehouse planning, labor scheduling, and promotions. Decision-makers can move forward with the confidence that reliable data is backing up their plans.



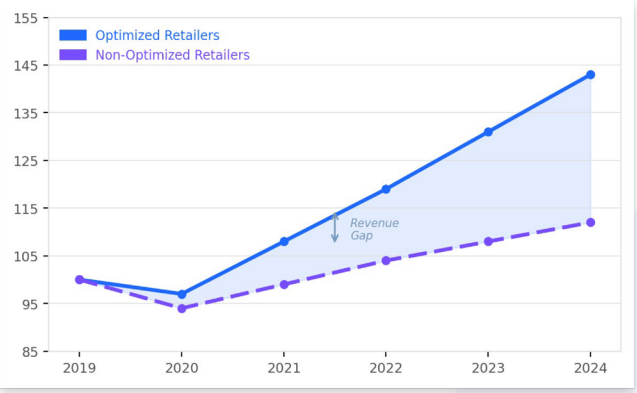
Closed-Loop Execution

Digitizing processes collects data for continuous improvement. Oxford Economics reports that optimized inventory management workflows increase inventory accuracy for 68% and forecast accuracy for 44% of retailers. Additionally, 71% of retail enterprises are piloting artificial intelligence (AI) for inventory optimization.



Chapter 7:
The Cost of Doing Nothing

Doing nothing to change the traditional approach to inventory management is not a neutral decision. Every day without accurate inventory results in missed sales, wasted labor, and preventable losses that compound over time. Furthermore, the competitive gap will only widen between retail enterprises that modernize inventory optimization processes and those that continue to operate with inventory blind spots. Upgrading to a system of continuous stock visibility and inventory optimization gives enterprises more control over costs and customer experiences.



+$53.8M
Annual revenue advantage
for a $500M optimized retailer vs. peers

+1.8pp
Gross margin advantage
driven by shrink reduction and labor efficiency

+22%
Higher comparable store sales
over a 5-year period vs. non-optimized

Shrink and Loss

When retailers lack total inventory visibility, they experience more shrinkage than competitors who have a reliable system of item-level tracking. Real-time tracking can directly reduce losses from theft by alerting staff when an RFID-tagged item leaves the store. However, inventory visibility and accuracy combat losses in additional ways. Tracking perishable stock or items with a limited shelf life can help retailers keep those products moving with sales or promotions to prevent widespread markdowns or waste.

> Zebra Technologies reports that 57% of retailers who optimize loss prevention workflows reduce shrinkage, waste, and overall losses, 43% minimized fraud, and 51% improved detection of hidden products.





Revenues

The right products on the right shelves at the right time is a formula for revenue growth. Zebra Technologies research shows that technology that optimizes inventory management workflows resulted in greater inventory accuracy for 68% of retailers. The research also shows that accurate inventory translates to higher revenues compared to companies that continue to operate with inventory blind spots, for a typical retail enterprise in Zebra's study, that translates to a $53.8 million increase in annual revenues.

Opportunity Costs

Operating a retail enterprise involves a series of trade-offs. Business leaders have to balance profitability with customer experiences. The C-suite must choose to focus on high-volume, low-margin merchandise versus low-volume, high-margin sales to result in a viable business. Some retailers are rethinking whether to sell in physical stores in some locations but limit engagement to digital channels in others. However, retailers don't have to tolerate lost opportunities from inaccurate inventory.

Accurate, real-time inventory ensures that retailers can capture every possible sale of in-demand items, whether in the store, online, or by assisting customers to find and ship items in stock in other enterprise locations. Without inventory visibility and the technology tools to access vital data, customers could find the items they want from a competitor, sometimes using their smartphones while shopping in a store.

Inventory data analysis also helps retailers understand sales trends, so they can create the optimal merchandise mix, order the right quantities, and maximize storage capacity so they're maximizing revenues season by season. The losses from inventory inaccuracy rarely show up as a single line item. They accumulate quietly, across every shift, every unfulfilled order, every customer who doesn't come back.

The Move to Modern Inventory Optimization

Traditional inventory management processes cannot equal the accuracy and efficiency of modern processes leveraging technology, from barcoding and RFID to AI-powered inventory optimization.

Meeting consumers' expectations for on-shelf or ecommerce availability, maximizing in-store fulfillment processes, and minimizing losses and thefts requires a new strategy and new tools. The costs to an organization from continuing to operate with blind spots, including shrinkage, waste, and the labor costs associated with manual processes, should not be considered the cost of doing business. Those costs, which technology has rendered as unnecessary, are too high, and with technology, retailers can drastically reduce them.

Competitive retailers with accurate, real-time inventory visibility have the power to eliminate inefficiencies, minimize losses, and meet omnichannel customers' expectations to build successful enterprises.



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