

Retail report

Unpacking the truth about inventory

What 200 small retailers told us about the true cost of inventory issues — and what they're doing about it



Contents

Why retail profits are taking a hit	3
Key findings	4
Solutions	6
Methodology	13



Retail's silent profit killer

Inventory management might not be flashy. But it's make-or-break for small and medium retail businesses. When shelves run empty or stay too full, profits suffer, customers leave and store owners struggle.

So we asked 200 small retailers what's *really* going on behind the stockroom door. Their answers reveal a retail landscape where spreadsheets still rule, stockouts are a frequent occurrence and many businesses are just one missed shipment away from a lost customer.

To get an even clearer picture, we also asked small retailers across the country to react to the data. Their responses show what inventory challenges look like in real life — not just in charts.

This report lays out the truth about inventory: the challenges, the blind spots, the tradeoffs and the opportunities to improve. Whether you're running a toy store, clothing boutique, gift shop, bakery or any other type of retail business, these insights are for you.



The stockout spiral

Key takeaway

Nearly 1 in 4 retailers are flying blind on inventory until it's too late, only discovering stockouts once a customer is at the checkout counter — and walks away empty handed.

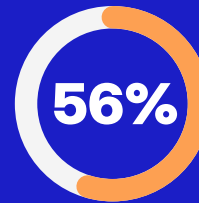
Retailer reaction

“A customer once drove 40 minutes to buy his favorite Nicaraguan cigar. We were sold out and he walked out disappointed. That moment stuck with me. In this industry, once someone walks away disappointed, they might not come back.”

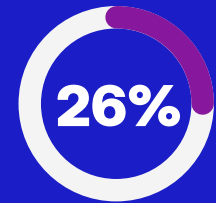
— **Brad Jackson**
Founder, After Action Cigars



of retailers only discover stockouts when a customer tries to buy



lose up to 10% of customers to stockouts



permanently lose 10-25% of customers after stockout experiences



The manual tracking trap

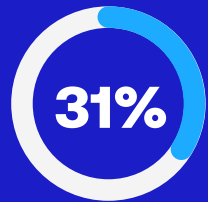
Retailer reaction

“My current setup is a patchwork of spreadsheets, Shopify data, and my brain. I used to have Post-its on the edge of shelves because I didn’t trust what was in the backend. It was a nightmare. Human error isn’t just a risk in this setup; it’s ongoing. It’s made me come across as unprofessional more than once.”

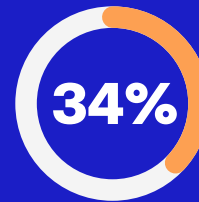
— **Bill Stagg**
Founder, Every Bidet

Key takeaway

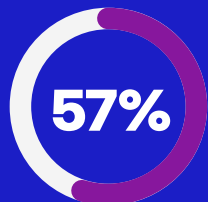
Despite living in the digital age, **57% of retailers** are running their inventory like it’s 1995 by relying on manual inventory counts. This isn’t by choice. It’s driven by cost constraints, training gaps and fear of system complexity. But that kind of guesswork puts businesses at serious risk, especially as supply chains shift and customer expectations rise.



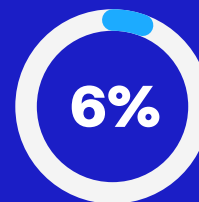
use gut instinct to forecast demand



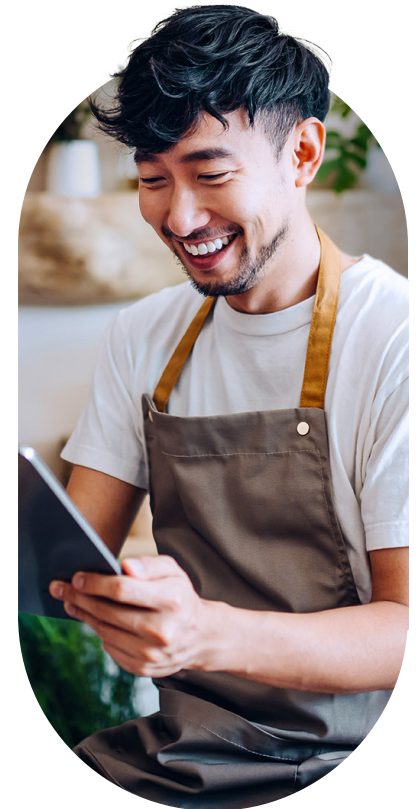
perform physical counts weekly or monthly



manually count inventory while only 27% use barcode scanning



have adopted RFID or AI-powered recognition



The integration nightmare

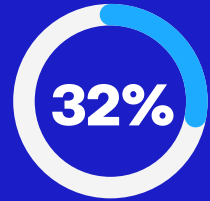
Retailer reaction

“A unified, real-time inventory management system would be a game-changer for me — especially since we work both in a studio and on location and need to keep track of what’s at each site and ready for client orders. I’d spend far less time sweating over stock levels and more time on creative work, or with my family, instead of mentally tallying what’s on hand and what’s already been promised.”

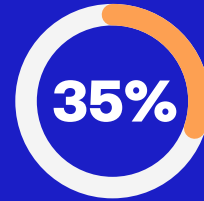
— **Angel Sanchez**
Owner, Wanderlust Portraits

Key takeaway

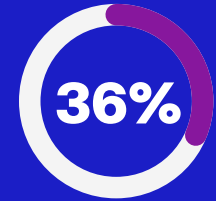
The dream of seamless omnichannel retail crashes into the reality of system silos with **33% of retailers** rating their POS-inventory integration poorly, if it exists at all. Juggling multiple platforms that don’t talk to each other creates blind spots that cost sales and customer trust.



experience sync issues
between channels
at least monthly



use unified inventory
management
systems



still rely on
spreadsheets and
manual reconciliation



The cash flow crunch

Key takeaway

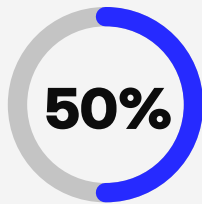
70% of retailers have **20-60%** of their business capital tied up in inventory, with 50% reporting increased financing costs. In a high-interest rate environment, idle inventory isn't just a storage problem. It's a capital efficiency crisis.

Retailer reaction

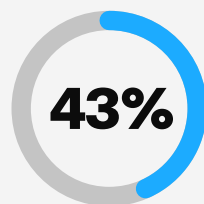
"I have about \$22,000 dollars worth of cigars sitting in storage, and a chunk of that is not moving. That money could be better spent on adding more space to our humidor or launching a new cigar blend. What would really help is having one system that shows what we have across the store, online, and events — and all in real time. I would also want alerts that catch local buying trends, like holidays or cigar nights, so we can restock before we run out."

— **Brad Jackson**

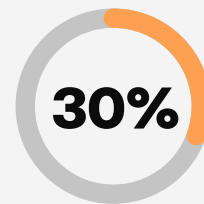
Founder, After Action Cigars



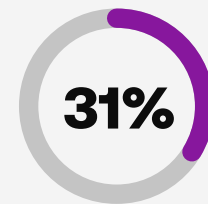
report increased inventory financing costs



hold 20-40% of capital in inventory



hold 40%+ of capital in inventory

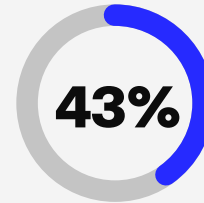


prioritize paying staff over suppliers when cash is tight

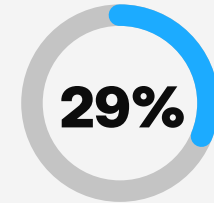
The technology need vs. reality gap

Key takeaway

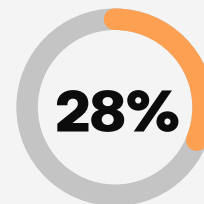
While **43%** of retailers want real-time analytics, **45%** cite cost as the primary adoption barrier. Retailers know exactly what they need: real-time visibility, predictive alerts and automated reordering. The problem isn't ignorance. It's the price tag and complexity.



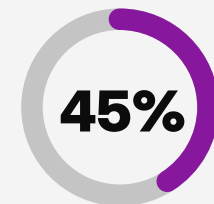
want real-time analytics



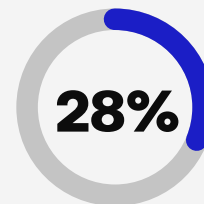
want mobile accessibility



want multi-channel integration



cite cost as the #1 barrier to adoption



cite training time as a barrier

The customer experience breakdown

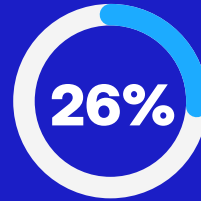
Key takeaway

56% of retailers lose up to **10%** of customers to stockouts. When inventory systems fail, the customer experience crumbles: Customers who can't get what they came for often don't return.

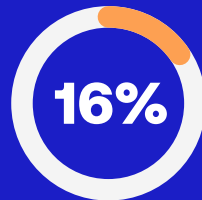
Retailer reaction

“When a customer leaves empty-handed, it's not just a lost sale — it feels like a missed opportunity to build loyalty and trust. I've seen some come back later when the product was restocked, but others never returned, which is a painful reminder of how vital precise inventory management is in our industry.”

— **Barbara Stern**
Founder Ottoman Textiles



permanently lose
10-25% of customers
after a stockout



of retailers report up to
50% of customers never
return after a stockout



How retailers handle stockouts

Key takeaway

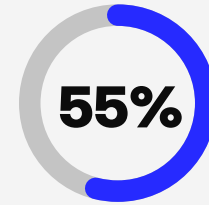
The data shows that stockout management is often reactive rather than proactive. Human error and miscommunication could play a role with **52% of retailers** relying on personal communication instead of automated systems to manage stockouts.

Retailer reaction

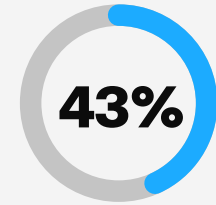
“Our first priority is immediate and transparent communication with the customer. The moment an item goes out of stock, we have a system that alerts our team, and we reach out directly to the customer to inform them of the situation. We’ll offer them a clear timeline for when the product will be back in stock, and if that doesn’t work for their project schedule, we immediately provide a solution, such as a comparable alternative or a full refund. Our customers appreciate the honesty and proactive outreach, and by managing their expectations and providing quick solutions, we’ve found that we can often retain their trust and business, even in a less-than-ideal situation.”

— **Josh Qian**

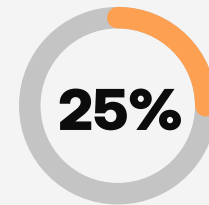
COO and Co-founder of Bestonlinecabinets.com



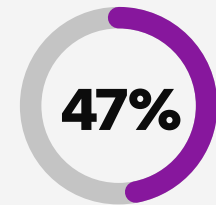
recommend similar products



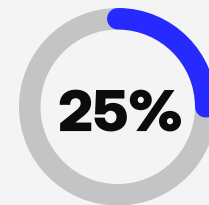
offer back-in-stock notifications



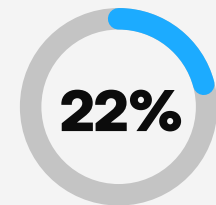
provide rain checks



offer special discounts to encourage return



pay up to \$50 to restock a critical item



pay up to \$150 to restock a critical item

The right tech can prevent the chaos

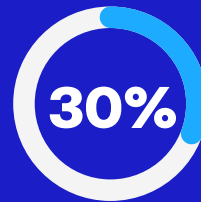
Retailer reaction

“Implementing predictive alerts and automated reordering has been a game-changer for our business. These systems use historical sales data, lead times and current trends to forecast demand, so we can place orders well in advance of a potential stockout. It ensures we maintain optimal stock levels without the high carrying costs of overstocking, and it’s a critical tool for managing our supply chain efficiently and reliably.”

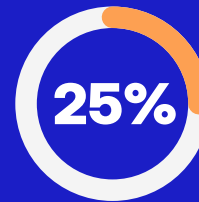
— **Sam Speller**
Founder of Kenko Matcha

Key takeaway

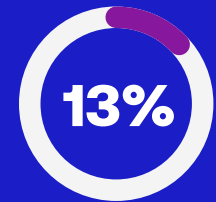
Stockouts aren’t inevitable. With alerts and automations, retailers can get ahead of the chaos *and* save their sanity.



would choose real-time inventory alerts



pick automated reordering to prevent stockouts



opt for faster payment clearing





Smarter inventory isn't optional anymore

Inventory might seem like a back-office problem, but it's front and center for customer satisfaction, growth and profit.

The bottom line? Retailers who have invested in real-time inventory systems, using automated reordering and predictive alerts, are seeing measurable improvements in customer satisfaction and operational efficiency.

If you've been battling inventory issues on your own, we'd love to help.

Ready to run your business smarter?

[Start today](#)



Methodology

This research is based on a comprehensive survey conducted in June 2025. Here's a closer look at our respondents:

200 SMB retailers across the United States

Retail segments:

Fashion/Apparel (24%)

Grocery/Food (7%)

Electronics (3%)

Health/Beauty (4%)

Home Goods (7%)

Sporting Goods (3%)

Game, Toy, Hobby (4%)

Antiques/Thrift (7%)

General Merchandise (21%)

Age-restricted (2%)

Other (18%)

Physical locations ranging from single stores to 10+ locations





Learn more at
globalpayments.com/point-of-sale/retail



This report is provided for informational purposes only and reflects data collected from a survey of 200 U.S.-based small and medium-sized retail businesses conducted in June 2025. The views and experiences of individual retailers featured in commentary or quotes are their own and do not necessarily reflect the views of Global Payments. While every effort has been made to ensure the accuracy and reliability of the information contained herein, Global Payments makes no representations or warranties as to the completeness or accuracy of the data or any conclusions drawn from it. All trademarks, service marks, and company names are the property of their respective owners. No part of this publication may be reproduced, distributed, or transmitted in any form without prior written permission from Global Payments. © 2025 Global Payments Inc.® All rights reserved. M3.5135-D01