

A modern furniture showroom with various chairs on display. The scene is brightly lit with a blue and white color palette. In the foreground, a white tufted armchair is prominent. To the right, an orange upholstered chair with wooden legs sits on a blue circular platform. In the background, a beige armchair and a wooden stool are visible against a blue wall. The overall atmosphere is clean and contemporary.

INVENTORY CHECKLIST

Keep pace with shifting shopper tendencies, mitigate supply chain challenges, and avoid frozen or phantom inventory headaches with our step-by-step guide.

Sensormatic
by Johnson Controls

Successful inventory management is always a hard-won goal for retailers, but recent challenges have made the pursuit more challenging than ever. In 2021 supply chains were disrupted to such a degree that the National Retail Federation's (NRF) Global Port Tracker reported 98% of retailers were impacted by shipping and port delays. Though industry analysts are expressing optimism that the disruption will wane in 2022, a degree of uncertainty remains as the pandemic persists and recovery is ongoing, according to CNN Business. Meanwhile, the popularity of omnichannel shopping means customers crave speed and convenience, and are increasingly unwilling to tolerate stockouts.

This means, in addition to accounting for supply disruptions, retailers should consider the shifting in-store shopper tendencies occurring in their region, and factor them into their inventory strategy. For example, in each of the 12 months following March 2020, The NPD Group found U.S. shoppers spent an average of 13% to 29% more per transaction whether online or in-store, and in the U.K., between the 2020 lockdowns, shoppers bought, on average, 31% more per store visit, according to Sensormatic Solutions. While this shop-less-buy-more trend creates more in-store opportunities, it also creates more risk when products are out-of-stock (OOS) – because their next visit may not be for a while. This knowledge empowers retailers to make savvy inventory decisions. Whether or not a specific trend like this will hold remains to be seen, but we know shoppers' habits will continue to adapt to the latest technologies and regional conditions – and retailers can adapt their inventory strategy in kind.

That's why getting the right inventory items in the right volume in the right location is so vital.

With so much at stake, these challenges and changing consumer preferences can too easily become a perfect storm for retailers. Fortunately, this checklist can help you to navigate inventory obstacles.



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The vital importance of inventory intelligence

To avoid the pitfalls of supply chain disruption and deliver exceptional shopper experiences, retailers should consider implementing or improving their inventory intelligence systems.

Why?

“Working off of frozen or phantom inventory – the traditional way – may result in poor customer experiences, lower revenue, and supply chain congestion,” said Michael J. Fiore, senior manager, retail consulting and analytics at Sensormatic Solutions. “Consider this scenario: A shirt has gone unsold. Therefore, a system that works off frozen or phantom inventory will consider it still available for purchase in the store and online. A customer then purchases that shirt because they believe it’s in stock. When they arrive to pick it up, they’re disappointed to learn that it isn’t available after all – because a shoplifter walked out with it earlier that day or, more likely, your inventory is not as accurate as you believed.”

That’s lost revenue, a bad shopper experience, and a supply chain snarl resulting from trying to restock it. And given the rapid adoption of Click and Collect during the pandemic, these are growing concerns

for retailers around the globe. In fact, more than a third of U.S. shoppers used BOPIS (buy online, pick up in store) and BOPAC (buy online, pick up at curbside) recently, as reported in our 2021 Consumer Sentiment Survey, and across much of Europe, our eBook “Retail after Lockdowns” notes that number ranges from 19% to 40%. That means there’s even more at stake when it comes to getting Click and Collect purchases right, especially during the various busy seasons and sales events throughout the calendar year. Fortunately, there’s a way to do just that, and it doesn’t involve frozen inventory at all.

With RFID-enabled, item-level inventory tracking, you can know precisely what items are in stock in a given store at any given moment.

This enables retailers to:

- ✓ Maximise your inventory investment across your enterprise by ensuring you sell the very last unit
- ✓ Reduce stockouts and markdowns
- ✓ Execute omnichannel fulfillment profitably
- ✓ Deliver stellar customer experiences
- ✓ Gain visibility into your supply chain

At any moment, 15% to 20% of a given retailer’s inventory is accounted for by the last unit in the store. This represents a massive amount of budget in items either marked down or not sold – but as we’ll see, that’s a problem that has a solution through RFID.



How to ensure inventory availability throughout the year

Though each year has its own particular challenges and opportunities, the basic steps to ensuring your stores have the right inventory are steadfast. Here's a step-by-step guide to help you get your inventory and supply chains ready for whatever lies ahead.

Step 1. Start with a pilot to test tagging integration

Tagging integration is a key component of inventory availability. But before you start tagging every item in every store, launch a small pilot across a sampling of stores to test how well RFID tags work with your existing inventory systems. Why?

“Tagging every item across every store can be an expensive and time-consuming proposition for retailers if they aren’t confident that the tags will work with legacy systems,” Fiore noted. “So, it’s important to start small with a pilot.”

- ✓ Identify the problem you most need to solve. Is it shrink, replenishment, or something else entirely? Zero in on your primary use case and use the pilot to demonstrate the efficacy of tagging.
- ✓ Fiore strongly recommends starting with a sample of items that come in many different sizes and colors, like lingerie or shoes, as well as loss leaders that are stolen frequently. These can demonstrate the item-level accuracy of RFID tags.
- ✓ Allow the pilot to run for at least 30 days. In a perfect world, Fiore noted, a 90-day pilot would be ideal, but if in a pinch or close to a busy season like back to school or the holidays, 30 days will still give you a detailed look at the efficacy of RFID tagging.



The path to a productive pilot

Before you launch an RFID pilot, consider some best practices from the experts.

“We prepare, launch, and analyse RFID pilots with customers virtually every day, and while every retailer is different, the factors that correlate to success or failure of those pilots never change,” Fiore said.

According to Fiore and Tiago Lagarto, integrations services director, Retail U.S. at Sensormatic Solutions, there are three such factors that can make or break an RFID pilot.

The first, Fiore said, is size. “The pilot has to be manageable, largely because you’re asking associates to do more work than they’re accustomed to by adding the tagging process at the store level,” he said. “So, pick 10 or 20 stores, and only pick a sampling of items.”

The next factor Fiore identified is buy-in at the store level. “When we conclude a pilot and discover that half of the stores got major ROI from RFID while the other half didn’t, we know that’s inconsistent buy-in. Some stores had associates that were bought in, following the processes, and tagging items correctly. Those stores got ROI, while the stores that weren’t bought in

didn’t. It’s critical that every associate and manager at every store in a pilot are bought in completely.”

Lagarto added that being flexible when it comes to process is also a must for a successful RFID pilot.

“More often than not, we discover that our customers’ processes have to change, and ours have to change, too,” he said. “It’s vital that an organisation is willing to change operational processes in the wake of a pilot. You’re now doing things differently, and you can’t always make RFID fit perfectly with your existing processes.”

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Step 2. Implement RFID across the enterprise

Unless you're performing an inventory audit, it's very difficult to find out what's on the sales floor. But RFID will solve that problem for you – and after a successful pilot, it's time to implement RFID from supply chain to storefront, and everywhere in between. The rewards in terms of revenue and customer experience will help make implementation well worth the effort.

- ✓ Once buy-in is established with leadership, implement a source tagging program to streamline the tagging process. This is not only faster than in-store tagging, but also far more cost efficient.
- ✓ Ensure that all omnichannel platforms correctly sync with your inventory intelligence and on-floor visibility systems, and that they can update in real time – or as close as possible. The impact real-time updates can have on the customer experience is immeasurable, especially during the busy shopping seasons when retailers stand to gain the most.
- ✓ Optimise your supply chain well in advance of known busy seasons with item-level insights and test it in advance. Monitor supply chain workflows and ensure delivery of correct items in correct quantities.



Step 3. Train associates on new workflow processes and technologies

In retail, associates and managers are your best brand ambassadors, so ensuring that they know how to navigate new inventory technologies like RFID is a must.

- ✓ If you've implemented new technologies like an RFID-powered inventory intelligence system, associates will now be free from needing to do cycle counts by hand. Still, you should ensure they're capable of understanding and using the new systems.
- ✓ Hold a series of all-hands trainings with current and – when applicable – seasonal staff to ensure that they understand how changes like source tagging and inventory intelligence impact both their work and the shopper experience. For example, what should they do when the new on-floor visibility system alerts them that an item is out-of-stock?
- ✓ Optimise your labour for busy seasons and sales events by leveraging data from your inventory intelligence system. By understanding which items are most frequently sold, on what days, and what areas of the store those items are in, you can proactively allocate associate hours to the areas that need them the most.



Step 4. Protect your inventory with updated loss prevention systems

If you've implemented RFID-enabled inventory tracking, why not use that same technology to amplify your loss prevention efforts? Data from existing tags and pedestals can be integrated into an easy-to-navigate dashboard that gives loss-prevention professionals early warnings on trends in shrink and helps them anticipate and solve revenue-loss problems before they come to pass.

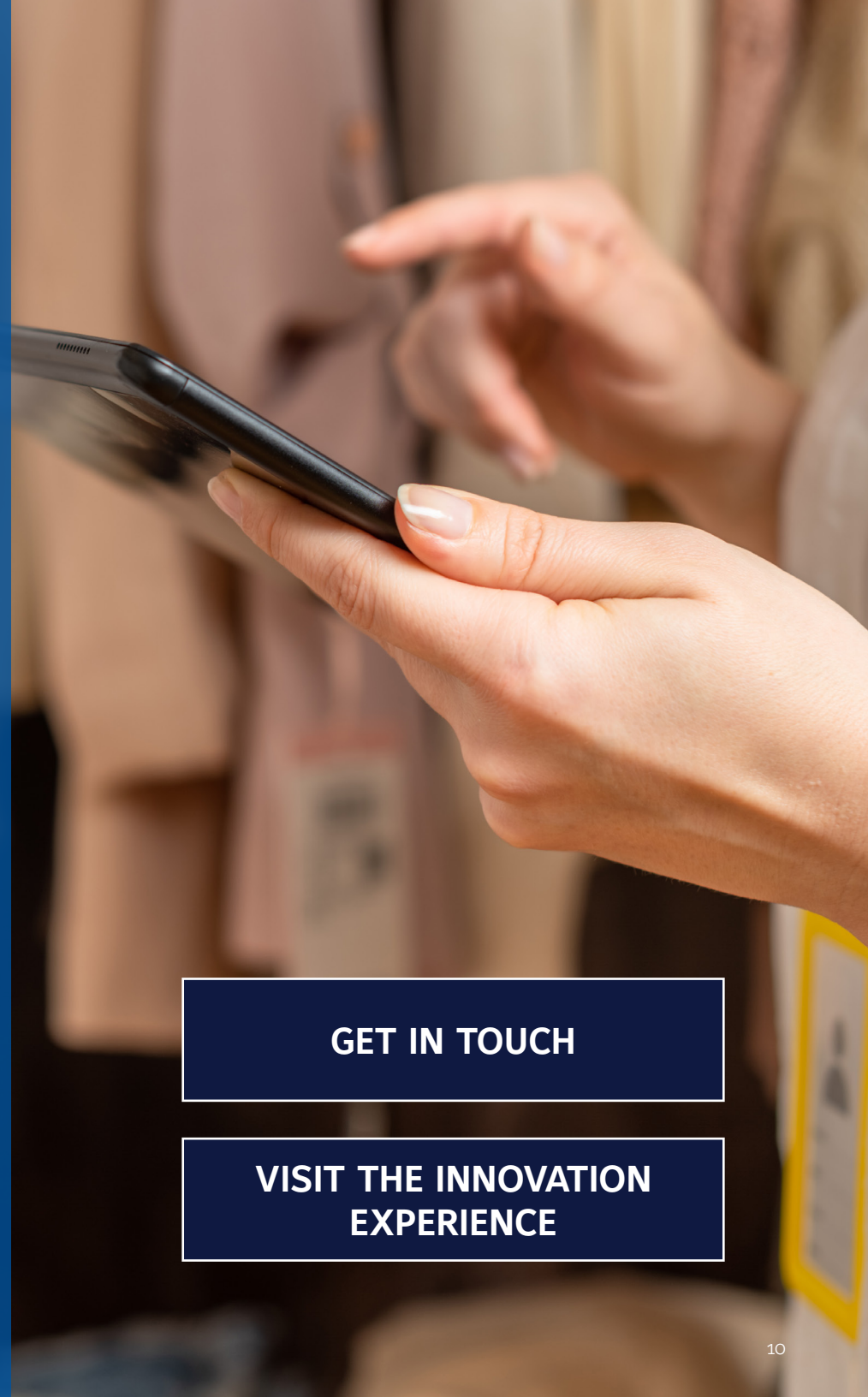
- ✓ Be sure to order enough tags, labels, and other loss prevention devices for your most vulnerable products in advance. No matter what your most stolen items are, there are tags, safers, wraps, alarms, and more that will easily accommodate and protect them.
- ✓ Review our wide array of detection system offerings and electronic article surveillance (EAS) solutions, designed to both keep your merchandise secure and provide inventory intelligence that can be leveraged to improve operation efficiency at every level.

Start preparing your inventory today

There's no time like the present to prepare for the future – especially in retail, where the calendar year is punctuated with busy seasons, big sales events, and the year-end holiday rush. Preparing for these times is already an all-hands-on-deck affair, and enhancing your inventory operations now can only help. So, if you haven't already implemented RFID tagging technology and enabled inventory intelligence, do yourself, staff, and shoppers a favor – get started. We hope this checklist helps you consider doing just that.

To learn more about our solutions across retail segments and Sensormatic IQ, click here to [visit our Innovation Experience](#). And if you're ready to start a conversation, [just get in touch](#).

From all of us at Sensormatic Solutions, no matter the obstacles that come your way, we're here to help you create an agile and accurate inventory experience, with seamless stocking and fulfillment all year round.



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EXPERIENCE**

About Johnson Controls

At Johnson Controls (NYSE:JCI) we transform the environments where people live, work, learn and play. As the global leader in smart, healthy and sustainable buildings, our mission is to reimagine the performance of buildings to serve people, places and the planet. With a history of more than 135 years of innovation, Johnson Controls delivers the blueprint of the future for industries such as healthcare, schools, data centres, airports, stadiums, manufacturing and beyond through its comprehensive digital offering OpenBlue. With a global team of 100,000 experts in more than 150 countries, Johnson Controls offers the world's largest portfolio of building technology, software and service solutions with some of the most trusted names in the industry. For more information, visit www.johnsoncontrols.com or follow us [@johnsoncontrols](https://twitter.com/johnsoncontrols) on Twitter.

About Sensormatic Solutions

Sensormatic Solutions is the leading global retail solutions portfolio of Johnson Controls powering operational excellence at scale and enabling smart and connected shopper engagement. Our intelligent digital operating platform – Sensormatic IQ – combines the full Sensormatic Solutions portfolio, including third-party data to deliver unmatched insights into shopper experience, inventory intelligence, loss prevention and operational effectiveness with advanced technologies, like AI and Machine Learning. This enables retailers to act on prescriptive and predictive data-driven outcomes to confidently move into the future. Please visit [Sensormatic Solutions](#) or follow us on:

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