



- Advertisement -

In the Trenches: Out of product... out of business

By

Ron Pelger

May 21, 2021

A common shopping day finds a customer standing in front of an empty strawberry display with a bewildered expression. The customer asked a nearby produce employee, “Are you bringing out more strawberries?” In a humbled voice, the worker replied, “Sorry, we are all out.”

If you were that customer how would you feel after being drawn to that store by the main produce feature in the ad flyer? Probably the same as the shoppers feel — disappointed... angry.. conned? Customers find out-of-stocks annoying, especially on advertised features.

According to a *Harvard Business Review* study, there is a 4 percent sales loss for a retailer as a result of out-of-stocks. The report also reveals that 72 percent of the out-of-stocks are caused by poor restocking practices, miscalculated forecasting and mismanaged inventory.

If shoppers can't find a specific item on display, they may choose another like item in its place. This may work easier in the grocery department with various brands and sizes, but not so much in the produce department. For example, if a shopper wants cluster tomatoes that are sold out, the customer may choose to substitute Roma plum tomatoes or grape tomatoes. It's not so easy to substitute items if bananas, mushrooms or carrots are out-of-stock and many customers may become angry enough that it could send them to shop another store. A little more than 40 percent of shoppers go to another store to get the item they need, which could very likely lead to those customers switching stores on a permanent basis. Losing a customer is not only losing sales, but it adds more expense in trying to gain a new one. When a produce department is out of product, it's out of business.

Running short on specific items does happen at times in our business. There are some legitimate reasons that can cause those incidents — bad weather conditions in the farm areas, transportation obstacles, equipment breakdowns, snow storms, etc. What about when they are caused by in-house inefficiencies? Empty display space sells nothing and when that space is allowed to be vacant, those missing sales can never be made up.

So how do out-of-stocks happen?

Here are four prime sources of out-of-stocks:

Inventory inaccuracies: If warehouse or store inventory counts do not match on paper, it will lead to improper ordering and possible item shortages on arrival.

Erroneous forecasting: Underestimating projected amounts will cause less product to maintain fully stocked displays.

Neglectful Restocking: Lack of replenishing displays will sell nothing, especially if the product is in the back room and not being transferred to the selling area.

Data Integrity: Not taking the time to consider data or inventory will only cause foolish blunders in ordering sufficient product to maintain full displays.

Here are four prime solutions to prevent out-of-stocks:

Avert inventory discrepancies: Control ordering errors by using precise data counts. Control inventory assets in order to keep displays full without carrying more product than required.

Timely restocking: Boost ordering of higher velocity items and expand the space allocation where necessary. Move back room stock out to displays in an orderly fashion.

Employ current technology: Use state-of-the-art scientific know-how to assist business decisions. Modern data should be at your fingertips to help keep ordering more accurate and the displays fully stocked.

Minimize ordering errors: Ad items usually require more ordering accuracy due to the sale volume rapidness. Consider seasonality, past movement, storm threats, pandemics, and other areas that can draw a sudden movement on especially staple type produce items.

Today's shoppers do not have the patience when it comes to the unavailability of produce items. Maintaining fully-stocked produce displays takes a professional discipline.

What some retailers do today makes no sense. There are actually policies in certain produce operations that state if an item is out-of-stock to leave it empty. Why does nothing solve a problem? Nothing sells nothing.

The best way to avoid the loss of sales due to out-of-stocks is to practice good inventory management. Use every means of technology. Study and evaluate accurate data. Know your on-hand inventory. Refer to the past movement of items, especially those of higher velocity, and rapidly restock displays.

A common negative reply to a customer is, "We're out of that item until the truck arrives." Well, the customer isn't going to stick around and wait for that delivery.

Ron Pelger is the owner of RonProCon, a produce industry advisory firm. He is also a produce industry merchandising director and a freelance writer. He can be contacted at 775/843-2394 or by e-mail at ronprocon@gmail.com.

[Print](#)