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CREATING POSSIBILITIES

TIPS TO PREVENT INVENTORY SHRINKAGE

Article from [Revalsys Technologies](#)

This article explains about
the tips to prevent
inventory shrinkage

Inventory is a group of goods that a business makes and sells with the intent to earn a profit. To ensure a smooth warehouse operation, you should have a clear understanding of the movement of your inventory. A common issue with inventory is shrinkage, which is a loss of unsold inventory. Inventory shrinkage results in a loss of revenue for businesses – in an attempt to make up for lost sales, businesses increase the prices of their existing inventory which affects its demand.

Before you address inventory shrinkage, you must understand why it occurs. Inventory shrinkage happens due to various reasons like damage, theft, and errors in recording inventory. Shrinkage is the difference between the actual and the recorded inventory amount.

It is not possible to eliminate inventory shrinkage. However, you can prevent it by implementing measures such as the following:

Provide Employee Training

Employee theft makes up for around half of the total amount of inventory shrinkage. However, not many companies have policies in place to deal with it. While it is important to do a thorough background check of potential employees, it is not enough. Train them to handle inventory, count stock, and identify shoplifting methods.

Double-Check Inventory Entries

This is an easy way to prevent inventory shrinkage. Fresh eyes will be able to easily catch mistakes at every stage of the inventory management process, including omitted and double entries. Double-checking can also help you to identify the factors causing inventory shrinkage and fix them to prevent future instances of shrinkage.

Designate A Person For Inventory Management

You can prevent inventory shrinkage by limiting employee access to your warehouse. After you train your employees in inventory management, designate one of them with the responsibility of maintaining your inventory. Teach them to create entries for new incoming stock, check inventory levels regularly, maintain records of daily deliveries, check for differences in the recorded inventory and the actual inventory, etc.

Automate The Inventory Management Process

Inventory shrinkage mostly happens due to human error. You can decrease human involvement in the process by replacing excel sheets with an inventory management system. This system automates the process of recording inventory across multiple platforms and saves you the time and money that you require for hiring staff to carry out this task. You can also ensure the safety of your data by using an inventory management system as excel sheets are easy to tamper with.

Barcode The Inventory

Tracking is an important part of order fulfillment. This process lets you know the status of your goods in the warehouse and during delivery. An effective way to track goods is by attaching barcode labels to them. Barcodes enable you to track goods either manually using a scanner or by connecting the barcodes to an inventory management system to automate the process. Barcoding gives each piece of inventory a unique identity, making it easy to track it.

Monitor Inventory Levels Regularly

No matter what the size of your business is, you cannot skip inventory tracking. Tracking will help you to catch inventory shrinkage when it happens, know the rate at which it is happening, and devise measures to prevent it. Inventory levels should be recorded regularly to make sure that the amount of recorded inventory matches that of the actual physical inventory. However, counting all the inventory at once manually is a time-consuming process that can be tiresome for your staff, resulting in errors in counting. To make the process easier, you can use the cycle counting method which involves counting inventory in parts in regular intervals like a weekly or monthly basis.

Conduct Surprise Inventory Audits

Employees who have access to inventory can steal parts of them to resell them or for personal use. If you suspect any of your employees have committed this fraud, then conducting frequent checks of your inventory can help you to catch them. These checks work when you carry them out without warning your employees. Surprise audits also detect theft quicker than monthly and yearly audits because you don't have to wait till a particular day of a month or year to know about thefts that might have happened. Employees are also much less likely to steal goods when they know that surprise checks are conducted frequently.

Install Security Cameras Inside The Warehouse

Knowing that they are being watched deters shoplifters from stealing. You can prevent inventory shrinkage due to shoplifting and employee theft by installing security cameras in your warehouse. Put up a sign alerting all those entering the warehouse of the presence of a secret camera that records every move inside the warehouse. The selection and placement of security cameras are crucial. They have to be high-quality and should be able to cover different angles of the warehouse.



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