

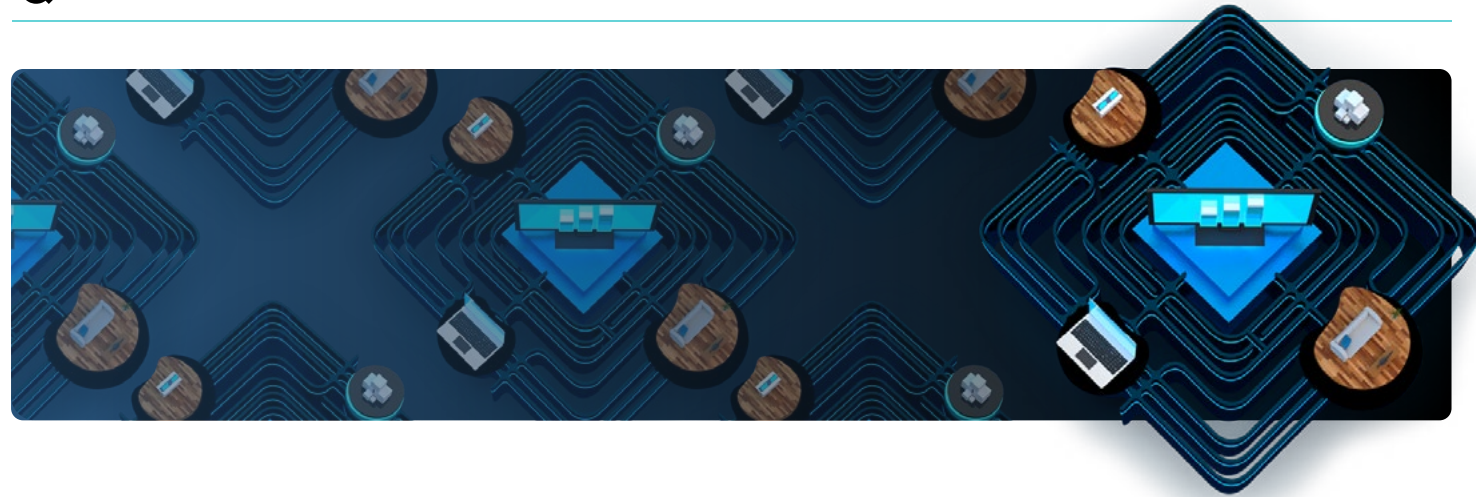


Optimizing Inventory Management for Telecom Retailers

When availability is everything, here's how telecom retail operators can ensure the products customers want are in the right place at the right time

Contents

- 4** Inventory Challenges Facing Today's Telecom Retailer
- 5** New Complexities in Inventory Management
- 7** Pros and Cons of Consignment Inventory
- 8** Advanced Shipping Notices Solving Pain Points
- 9** Supply Chain Issues and Pre-Ordering Priorities
- 10** Benefits of Vendor-Managed Inventory and Dropship
- 12** Unification of SKUs and Product Identifiers
- 14** Inventory Management's Role in Reducing Fraud and Theft
- 16** Integrated Technology for Evolving Inventory Needs



Inventory Challenges Facing Today's Telecom Retailer









One of the most important aspects of telecom retail operations—whether you are a carrier operating corporate stores, a large authorized retailer, or a smaller wireless dealer—is inventory management. The ever-present need to have the right product in the right place at the right time is essential for any retail business, but even more so for wireless. And, in our increasingly complicated telecom sector, optimizing inventory management systems for maximum efficiency is more of a challenge than ever before.

Today's telecom retailers must manage not only hundreds of high-value items such as smartphones, data-only products, and connected devices, but also numerous accessories and device-adjacent products. They must contend with enhanced customer expectations about instant product availability, challenges with product identifiers that don't marry up between

systems, supply chain problems, increasingly complex carrier product mandates, and more. And they must compete with online-only retailers across the globe who can provide the customer with any given SKU.

Jared Kennedy, Product Manager at iQmetrix, said, "The key questions are, 'Do I have the right products in the right stores now? And is the right inventory coming?' Telecom retailers spend a huge amount of time, money, and resources answering those questions. Systematically, a lot of it relies on reliable reporting data. And it's not as simple as whether we have 10 phones in stock—are all those 10 phones in a sellable state? Are they already reserved, or have they been flagged to transfer? The sands are always shifting, so getting the right products at the right time is a constant challenge."

Here are some key inventory management challenges—and related solutions—facing telecom retail operators, which we will address over the following chapters.

-  New Complexities in Inventory Management
-  Pros and Cons of Consignment Inventory
-  Advanced Shipping Notices Solving Pain Points
-  Supply Chain Issues and Pre-Ordering Priorities
-  Benefits of Vendor-Managed Inventory and Dropship
-  Unification of SKUs and Product Identifiers
-  Inventory Management's Role in Reducing Fraud and Theft
-  Integrated Technology for Evolving Inventory Needs

New Complexities in Inventory Management

No longer a simple flow of products from supplier to customer, today's inventory management involves many complicated, inter-system flows that are impossible to manage without a robust technology solution.

Jared Kennedy explained, "You might control a segment of inventory in one area, and offload other portions to third-party suppliers and services—and you would need those third-party elements to flow into your own system so that you can complete your piece of the chain. You need your inventory management system to be sophisticated enough to act

as a system of reference, so that you can see where everything fits in the overall scheme. Inventory management is no longer about just one retail business and its own needs; it's much more complex and interconnected."

Some major carriers have added to this inventory management complexity by no longer providing smaller authorized retailers with device inventory. This forces those businesses to either get themselves bought out by a larger retailer, or to arrange a franchise deal under a larger retailer. In turn, this

creates inventory management challenges for that larger retailer, which now needs to order not only its own inventory, but also additional inventory for its subsidiary or franchised operators that it will forward to them.

Kennedy added, "This means some of the larger retailers have to essentially operate a sideline business, with other companies operating under their umbrella, and they are faced with the challenges of managing that inventory and pushing it out to the smaller retailers and reporting on it."

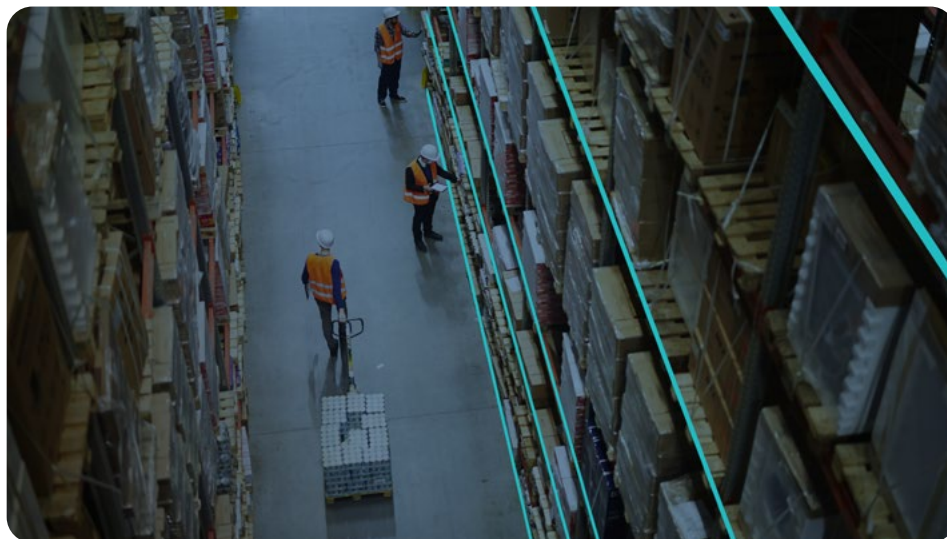
Carrier Product Sets

A method that has been gaining traction is carrier product sets—pre-curated sets of products that are either suggested or mandated at carrier level, for the authorized retailer to stock in their stores. Product sets can be extremely useful to retailers, because the work of analyzing what sells well, in which stores, and when has already been done by the carrier, and the retailer isn't starting with a blank slate of what to purchase. However, it's also another way in

which the authorized retailer can lose some control of what they want to carry in their retail locations.

Product sets add a new layer of complexity to inventory management systems, which need to be able to recognize and integrate with branded product sets. It also changes how authorized retailers work with vendor-managed inventory (VMI) suppliers (see page 10), who also need to carry certain carrier brands' product sets to supply to retailers.





Pros and Cons of Consignment Inventory

Another alternative way of managing inventory, which has been gaining traction in some parts of the telecom retail sector, is consignment.

Under a consignment model, the carrier owns all the inventory in all stores—whether corporate or authorized retailer-operated—and the store operator is responsible for keeping track of it and selling it. For authorized retailers, there is an advantage in that they do not need to buy the inventory up front. On any given day, a typical store could have hundreds of thousands of dollars' worth of inventory in stock, so not having to pay for that can be a huge cash flow win for the dealer, as well as much lower liability. And for the carrier, it means they have control over the availability of products in stores with their brand name on, creating a consistent experience for the customer no matter which store they are in.

As the retailer sells the stock, the carrier will give the retailer a commission for that product sale. This creates a need for reconciliation, as the dealer has to pay back the carrier for the product, minus their commission. This is on top of the regular reconciliation process that already exists in the non-consignment retail model.

"For the authorized retailer, there are pros and cons with the consignment model," said Ryan Ori, a former Project Manager at iQmetrix. "Authorized retailers like to control

their own experience; they have their own brand identities, such as one major Verizon retailer that has all its associates in suits and ties, and they are very commission driven so their associates have certain products that they can sell, which they might not be able to under consignment."

Not only do authorized retailers have to cede control of their product inventory but also, if and when inventory in their store goes missing through theft or mishandling of products, the retailer is responsible and any loss will be deducted from their commission check. This adds yet another additional layer into reconciliation. This can grow complex quickly, and marrying all this with sales associate commissions can be a challenging task without the right software.

Trish Sale, Product Director—Service Products at iQmetrix, advised, "When it comes to inventory management, retailers shouldn't spend their time on things they don't have control over, such as carrier mandates. Instead, they should focus their time on where they can add their own value, such as the customer experience."

Will consignment be the way of the future? "That's a to-be-determined path," said Ori, "but I can see it going that way. The pandemic has made consignment more, not less, likely to be more broadly used. And carriers have been talking about going that route for years."

Advanced Shipping Notices Solving Pain Points

One new feature that has helped ease several pain points created by today's complexities of inventory management is the increased use of advanced shipping notices.

After making a purchase order of 10 phones, for example, the advanced shipping notice is a communication from the vendor that tells you in advance exactly which 10 phones are being allocated to you. This notice is linked to the original purchase order and, when the order arrives, the retailer can see exactly which phones they were supposed to receive. And if shipping efficiencies call for a larger delivery of, say, 100 phones, the retailer can see which specific 10 phones they are supposed to take out of that shipment, while the others are transferred on to other stores.

James Ingold, Product Owner—Inventory at iQmetrix, said, "We are using advanced shipping notices more and more... It offers additional security, so that associates can't scan in a random IMEI that doesn't apply to a real product, and then pocket a phone. It also brings a new level of inventory reconciliation that we haven't seen before, where the records accurately reflect how much money I've expended and exactly what I've gotten for it—there's a symmetry."

He added, "It's really important to fully understand how a product goes from a supplier right through to the customer who gets it in their hands—where something has come from, where it ends up, and where it was in between."

Supply Chain Issues and Pre-Ordering Priorities

With retailers of all stripes facing huge supply-chain challenges caused by a wide number of factors, many can't get the products they need into their stores.

According to a [November 2021 McKinsey report](#), the disruptions "have the potential to decrease earnings before interest, taxes, depreciation, and amortization (EBITDA) for retailers by 20-40% in the near term, with 15-20% of that decrease enduring if these supply-chain shocks go unaddressed."

This negative impact is even more true of telecom and electronics inventory, which have the added challenge of being affected by the global chip shortage.

"You might order 10 phones, but only get allocated five," said Ori. "It becomes very hard to meet customer expectations of getting the phone they want at that moment."

Supply-chain challenges are also compounded by staff shortages that all retailers are seeing, telecom stores being no exception.

Justin Drage, Chief Growth Officer at VoiceComm, a vendor-managed inventory supplier and iQmetrix integrated partner, said, "When the supply chain is fractured the way it is right now and we have shipments that are getting stuck in a port or they're not arriving on time, carriers in the United States just aren't getting product they need. Even when they do arrive there's not enough personnel to be able to handle the inbound receiving or the outbound shipping."

Smart Inventory Ordering

With the reporting and analytics functions built into advanced inventory management solutions, carriers can make smarter decisions about which items to order, as well as optimal in-stock levels and replenishment schedules. Relying on data such as historical sales and analysis of past promotions' impact helps carriers avoid the twin perils of overstocking and understocking.

Using data that everyone agrees on helps carriers avoid many of the most common inventory challenges. Even the smartest carriers can get caught up in the anticipation generated by a hot new phone launch or product fad, leading to over-ordering of items that only have transient appeal. Conversely, careful analysis of

past product launches can help wireless carriers stock enough accessories, such as cases and earbuds, to meet customer demand. Inventory management data allows carriers to order enough for their entire chain, and to allocate more of this inventory to the locations that are likely to sell the most phones and products.

Jared Kennedy added, "The three inventory reports that have proven to be most integral to operations for our clients are the Inventory Listing Report, Product Tracking Report, and Inventory Availability Summary Report."



Benefits of Vendor-Managed Inventory and Dropship

One way to solve some of these inventory management challenges—including supply-chain issues—is to outsource the work to a third-party vendor-managed inventory (VMI) supplier. These are white-glove services that take on all the data analysis, sales forecasting, purchasing, and distribution for your retail operations, allowing you to free up resources and focus on your customer experience. Their economy of scale can also be extremely useful in getting around supply shortages.

VoiceComm's Justin Drage said, "Using a VMI partner and having regular cadence and insight into what's happening at the retail stores

and what the stores need to stock is incredibly helpful. Let's say we have a purchase order for 10,000 products but 70% of them get stuck at a port. We can look at it and say okay, we're getting 3,000 of these products, this is when we're going to get them and we can see the where the demand is and prioritize sending those items to our VMI clients."

This means that VMI clients not only get the benefit of sales forecasting from the experts, but they also get first priority on products.

Drage added, "Our clients are split between customers that are partnered with us on a VMI program

versus customers that buy from us via a traditional purchase order or go to our website to make a purchase. There's just no way for us to forecast the demand for those types of customers, whereas the VMI customer, we can see every day what their sales trends are looking like, where their needs are, and then we can take action. We can prioritize their needs and recommend substitutions if necessary. That way, they are not feeling the brunt of the supply chain issues, and they are not losing as much sales data as those who are more affected by the supply chain fractures we're encountering."

Dropship Adds Flexibility to Inventory Management

Many VMI suppliers also offer dropship solutions. When a customer orders a specific item instore, the supplier ships it directly to the customer or to the store for pickup. Invoicing only occurs when the order is placed, so retailers get the benefit of satisfying their customers at a minimal cost.

Incorporating dropship capabilities into an inventory management solution allows wireless retailers to offer an expanded array of

products and accessories, without taking up valuable peg space in what are generally small-footprint stores. It also means that retailers don't have to tie up valuable inventory funds stocking items that may have a low turnover rate.

Additionally, by analyzing purchase patterns for items that are drop-shipped, retailers (or their VMI supply partners) can determine whether it makes sense to stock those SKUs in their stores in the future.



Unification of SKUs and Product Identifiers

Another simple but important solution to easing inventory management challenges is the consistent use of a single product identifier—no matter what technological solution you’re using. With inventory management systems being so interconnected, it’s essential that what is identified as, say, a black 32GB iPhone 12 in one system is the same in another. Surprisingly, this is still very often not the case, with different retailer’s internal systems using different identifiers, such as the SKU, or the manufacturer’s serial number, or the universal product code, or the bar code.

iQmetrix’s Jared Kennedy said, “This is a fundamental, foundational problem. Every system tends to use its own version of product identifier. Sometimes they’re the same as each other, but sometimes they’re not, and that causes problems.”

Trish Sale agrees this is a major problem. She said, “If you don’t have a unified understanding of a product, when someone goes to look for it—whether you’re talking about a customer, or a retailer talking to a vendor—they won’t be able to find it. With today’s globally connected world, you need to have a common understanding of what these products are.”

Unifying SKUs across multiple, and often highly varied retail locations, enables retailers to arrive at one standard set of product identification across a full network of stores. With this standard SKU set, changes in pricing, promotion, naming, and more can be fed into every store instantaneously and consistently.

Imagine a launch of a new device. As soon as the device promotion is announced at the carrier level, the

consistent price, promotion, and naming around the product is then fed across all retail locations without the need for store managers or employees to manually enter the new product data. Otherwise, this manual process can (and does) result in delay and inconsistencies in product availability, pricing, and promotions between one store and the next.

Carriers and retailers are now looking to allow for customer returns to be accepted in any store, regardless of if it’s corporately or authorized retailer owned. This is also only possible with unification of product SKUs, as it allows for retailers’ systems to recognize returned stock and place it back into their inventory system for a future sale or store transfer.



Leveraging Product Serialization

As wireless carriers move toward more sophisticated inventory management, they can leverage the product serialization number—the identifier that is unique to the specific item—provided by cell phone manufacturers. Sophisticated inventory management solutions allow retailers to use these serial numbers to track items throughout their entire life cycle, across all retail locations, corporate or authorized retailer owned. By tying sales and workflows such as activation to each item’s unique identifier, retailers get a more accurate picture of product sales on a granular, per-item basis.

Retailers can supplement the serialization provided by manufacturers with inventory solutions that assign unique identifiers to a wider range of products, including accessories. Assigning serial numbers to high-ticket items (i.e., those priced at \$50 or more) also simplifies functions such as store-to-store transfers and reintegration of returned items.

Inventory Management's Role in Reducing Fraud and Theft

Employee theft of physical inventory is always a risk in any retail sector with high-value, desirable products. Store associates have easy access to that product, and there's an obvious opportunity for theft. What's more, these kinds of losses are a huge blow to the retailer, as the items are extremely valuable and it's tough to recover the profits.

iQmetrix's Jared Ellis said, "Think about your margins on these devices. A smartphone can cost, say \$1,000, and you might make a \$200 profit margin, if that. You lose one, you have to sell five more to make up the loss. You can't afford not to control that. It's not like grocery retail where somebody steals an item, you're only down a few bucks and you can recoup that."

It's essential to have an efficient inventory management system, including blind counts and surprise audits. Another tip is to open boxes during inventory counts to ensure the phone is in the box—it can often look like you have an item when you only have its packaging.

Ellis said, "You have to count all your phones and accessories however often, and scan them all in. But if there is a variance, have a manager come and check it. Plus it's

important to have random counts. If you're always counting these high-end phones on a Thursday, then people start thinking about when they can commit fraud. Added to that, you should have external audits, for example by a district manager, who you don't know when they're going to show up."

The risk of theft is increased when the same person is responsible for counting inventory both in and out. Ellis added, "Let's say six phones come in, but the employee only puts five in the inventory count and takes the sixth for themselves. Then they tell the vendor they only received five. Or, if there's a mistake in the inventory count where there's an extra phone, an opportunistic employee might spot that before anyone else and stick that phone in their pocket."

However, using advance shipping notices (see page 8) makes it hard for somebody to do this, thereby reducing this risk of fraud and theft. Also, retailers would be advised to take regular close looks at inventory transfer reports from their RMS, to ensure that the same products are not being "transferred" repeatedly between stores, when in fact the product has been pocketed.



How Serialization Can Help

Serialization also gives retailers a powerful tool for combating theft and other forms of fraud. Retailers can maintain a record not only of where the item is at any given point (received, in a back room, on the sales floor or sold) but also who has handled the item at each stage. If a product goes missing, the unique identifier makes it easier to determine whether it was broken, misplaced, or stolen. And when employees are aware that each item is identified within a retailer's inventory system, they may be deterred from even attempting a

theft. In contrast, it's much tougher to figure out what happened to a few undifferentiated items that may have been lifted from a bin.

Retailers can supplement the serialization provided by manufacturers with inventory solutions that assign unique identifiers to a wider range of products, including accessories. Assigning serial numbers to high-ticket items (i.e., those priced at \$50 or more) also simplifies functions such as store-to-store transfers and re-integration of returned items.



Integrated Technology for Evolving Inventory Needs

By ensuring that every store has the items customers are seeking, along with accessories they may be encouraged to purchase, carriers can maximize each store visit and sales interaction. Advanced inventory management solutions, such as those provided by iQmetrix, are critical to achieving those business goals.

iQmetrix's Jared Kennedy said, "Inventory management is no longer about just one system. All systems—whether that's your carrier-mandated device inventory, your vendor-managed accessories inventory, your

sales data and analytics, and so on—are each part of a wider technological ecosystem. And all those systems need to flow into each other, so everybody can do their part and the integration is seamless."

Because inventory management is so central to retail operations, it's a smart place for telecom retailers to start their journey toward more efficient and profitable operations. Not only that, but effective and consistent inventory management also ensures a unifying, loyalty-building customer experience.

Discover how iQmetrix's inventory management solutions can work for you

About iQmetrix

iQmetrix's intelligent retail management software is designed to power sales of connected devices. Our software is built around enabling telecom retailers to deliver a buy-anywhere strategy through multi-channel inventory management and digital retail solutions; make data-driven decisions using robust reporting; and unify storefronts and digital channels for a consistent customer experience—in-store, online, and anywhere else.

For 22 years, we've been passionate about helping the leading brands in telecom to grow by providing best-in-class software, services, and expertise that enables them to adapt and thrive. Our solutions powered \$16.4BN in sales last year, and are used by 300,000 telecom retail professionals across 1,000-plus clients. iQmetrix is a privately held software-as-a-service (SaaS) company with offices in Canada and the U.S. For more information, please visit www.iQmetrix.com