

# A Complete Guide to SKUs



## [A Complete Guide to SKUs](#)

[What is SKU?](#)

[Why are SKUs important for your business?](#)

[What Role Do SKUs Play in Category Management?](#)

[How to set SKUs?](#)

[Know the limitations](#)

[Create a format](#)

[Pro-tips:](#)

[Define a coding system](#)

[SKU Inventory Management using multi-channel mapping](#)

[SKU Mapping](#)

[Avoid Duplicate SKUs](#)

[Keep Default SKUs](#)

[Solve Inter-Store SKU Duplication](#)

[SKU Vs. UPC: They are not the same!](#)

[Best practices to manage SKUs – the Do's and the Don'ts](#)

[Don'ts for managing SKUs](#)

[Do's for managing SKUs.](#)

[SKU for Amazon:](#)

[How to create an Amazon SKU?](#)

[SKU and Inventory Management Software](#)

[Common Problems with SKU management-](#)

[Direct Duplication-](#)

[Duplicate SKUs due to multiple listings-](#)

[Duplication in Shopify-](#)

[No SKU in Storefront-](#)

[Deleting Products without keeping a log of old SKUs-](#)

[Interstore Issues-](#)

[Auto-mapping failure-](#)

[Unable to perform SKU mapping-](#)

[Solution-](#)

[SKU code updater to avoid duplication](#)

[Final Steps](#)

"According to [Manufacturing.net](#), even the largest of large scale businesses are cursed with around 20-30% deadstock."

You might be wondering why I am starting a blog about SKU with a fact about deadstock? Well, isn't this what most of the online and offline retailers are scared of? A pile of inventory that could have yielded some good revenues is now lying in the warehouse and costing you more money and increasing inventory carrying cost.

The only way to increase inventory turnover ratio and decrease dead stock formation is to track and manage inventory as adroitly as possible. You may choose any of the inventory management methods and along with the inventory tracking identifiers.

Here in this blog, we would talk about one such inventory tracking identifier called SKU. Tracking inventory with the help of SKUs is not an optional thing. Instead, it's a mandatory practice.

Now you might ask, " don't these giant companies already use SKUs?"

Yes, most of these companies might be using SKUs, but still, it's all about how effectively using and managing the SKUs. And, in this write up ahead, you will be exploring that only.

First things first let's understand,

## What is SKU?

**SKU** (pronounced "skew") stands for the 'Stock Keeping Unit.' It is a product code, usually six to nine characters long, created by the seller using the combination of letters and numbers (or just letters) to distinguish one product from finite others.

**SKUs are also** called item identification numbers or item numbers, and some businesses use names like 'part numbers,' 'model numbers,' 'product codes,' etc. Whatever you call them, they are essential since you or your system need to identify an item uniquely, so you can adequately account for its activity and whereabouts within your inventory.

**SKUs** serve as a shorthand: for longer item descriptions. Instead of entering an entire name or description for an item, you can use a much shorter SKUs. This speeds up the process of data entry, [inventory management](#), and point-of-sale.

**What SKUs denote:** The numbers, alphabets, or abbreviations in the SKU may mean a multitude of attributes of a product like product type, brand or manufacturer, description, model, batch, color, size, supplier, packaging, warranty terms, etc.  
SKU example: Each product or group of the same products will have the same SKU: e.g.: i.e., 10 pieces of 42-sized blue color V-neck Puma t-shirts can have SKU: PU-VN-BLU-42.

**SKU & inventory:** SKUs can be easily read by the seller and his/her team members or can also be rendered as scannable barcodes to make it quicker to trace incoming or outgoing inventory.



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Orderhive  
REORDER POINT CALCULATOR

ENTER YOUR REORDER POINT DETAILS							YOUR CALCULATED RESULTS	
SKU	Current Stock Level	Lead Time (Days)	Max. Daily Usage	Max. Lead Time (Days)	Avg. Daily Usage	Avg. Lead Time (Days)	Reorder Point	Reorder!
AP5J87C	100	8	5	12	10	5	98	
AP5H87C	20	8	6	11	12	5	182	

## Why are SKUs important for your business?

Having an efficient SKU system helps the store owners or businesses to [manage and plan their inventory](#) in multiple ways.

- **Be better prepared for multi-channel selling and universal standards**

For multi-channel sales primarily through 3rd party marketplaces like Amazon, eBay, inventory handling using SKU becomes a necessity. For selling on Amazon, either you or Amazon can choose SKU.

- **Have information available in a flash**

SKUs, if set correctly, help in unmistakably identifying what the product is, thus making your and your employee's task to pick, pass, and track stock easy.

- **Fasten warehouse operations with accuracy**

SKUs come in handy at various stages of inventory like a stocking, picking, packing and shipping. Item search and tracking become more effortless with SKU [barcode scanning](#), which is close to 100% accurate.

- **Cut human-borne errors**

Tracking products using SKU numbers ensure that your inventory and related data like pricing, stock count, etc. are always spot on. It also prevents errors like mispicks and misships, and thus you can make sure that orders go out correctly every time.

- **Improve customer shopping experience**

When customers check out, sales are noted counting the SKU with the correct pricing, and thus your on-hand quantity gets automatically synced. Also, in case you or your customer is unable to find an item at the store, a quick search through SKU codes in your POS stock status can help you quickly locate the item.

- **Avoid overstocking and under-stocking by accurately forecasting the inventory**

If you organize your stock using SKU numbers, it's easier to track overstock or low stocks or no-stock situations just by having a look-up to stock reports based on SKU codes. Furthermore, you can gauge the velocity of each SKU i.e., SKU velocity, and forecast the demand of each product precisely. The products with high SKU velocity should be stocked frequently and in increased quantities, and the ones with low velocity should be stocked with more caution because they can end up in dead stock in the future if stocked irresponsibly. Thus, with the help of SKUs, you can monitor the flow of products and accordingly forecast the demand.

Now that we know the stock-keeping [unit \(SKU\) system](#) for our business makes a lot of sense let's see how you can set up SKUs for your products and what are the best practices to manage SKUs

## **What Role Do SKUs Play in Category Management?**

An SKU helps category managers to group similar kinds of products and track them through the supply chain and also monitor their behavior.

SKUs also help in categorizing products, which also help in managing the inventory through the ABC analysis method.

Now you know that in category management, the inventory is distinguished into small business units, and each business unit's role is to produce good business results and cater value and experience to the customers. Category management's goal is to provide the customers with what they want, where they want, and at what time they want.

In category management, the first step is to define the category of each product. And to do so, you will need SKUs to perform this segregation swiftly and accurately. In SKUs, the type of the product is mentioned, and it becomes damn easy to separate one category of product from another.

Moreover, the SKU will also be handy when you are generating insights, Merchandising strategy, and planning.

Lesson learned - SKUs are vital in category management as they make your life easy at every step of category management.

## **How to set SKUs?**

Well, there's no universal system, as we read above. Any seller can have his or her own convention rules to set up SKUs based on necessary and differentiating attributes. SKUs can be created manually or using an SKU creator or with an inventory management software or POS software – depending on the size of your inventory.

Here's how you can go about creating SKUs (don't forget to add points that are particular to your business):

### **Know the limitations**

Some marketplaces allow a limited number of characters in an SKU. For example, Amazon limits the SKU code to 40 characters. If you use inventory or POS systems, you can check with the developers to find if there is a limit to the SKU. Even if there's no limit, a lengthy SKU may cause problems when exported or imported into other systems, and you may lose vital information.

### **Create a format**



You need to create or format or standard convention for all of your SKUs. Decide what identifiers and numerics to be included in your product SKU, and in what order. Choose from the various attributes of your products to be included.

### **Pro-tips:**

- 1. Start SKU with a Top-level Identifier:** It can be code or number for a store location or even a brand/manufacturer.
- 2. Use the middle numbers as Unique Identifiers:** With this, you pick unique features, such as size, color, gender, product category, or subcategory, whatever makes sense in organizing your products.
- 3. Finish SKU with a Sequential Number:** You can use sequential numbers like 001, 002 to end the SKU codes, making the setup easier. It can be coded as per product size if needed or as per the product batch or date-of-use to help you identify older versus newer items. You may also want to tie the final series of an SKU number to the supplier codes.

**4. Be smart with the selection of attributes:** Say if you are selling only one brand product, you will not need to include the brand name (obviously, right?). So is the color important, or is it the size, or the utility or the product category, or something else? You need to create a format considering ALL your products (not some) and their distinguishing factors.

Sometimes you might want to use attributes like year or season to help you narrow down the search to the specific collection rather than less essential characteristics like color and size.

Be specific of what is the most primary attribute.

**Here are some examples of attributes and SKU based on format:**

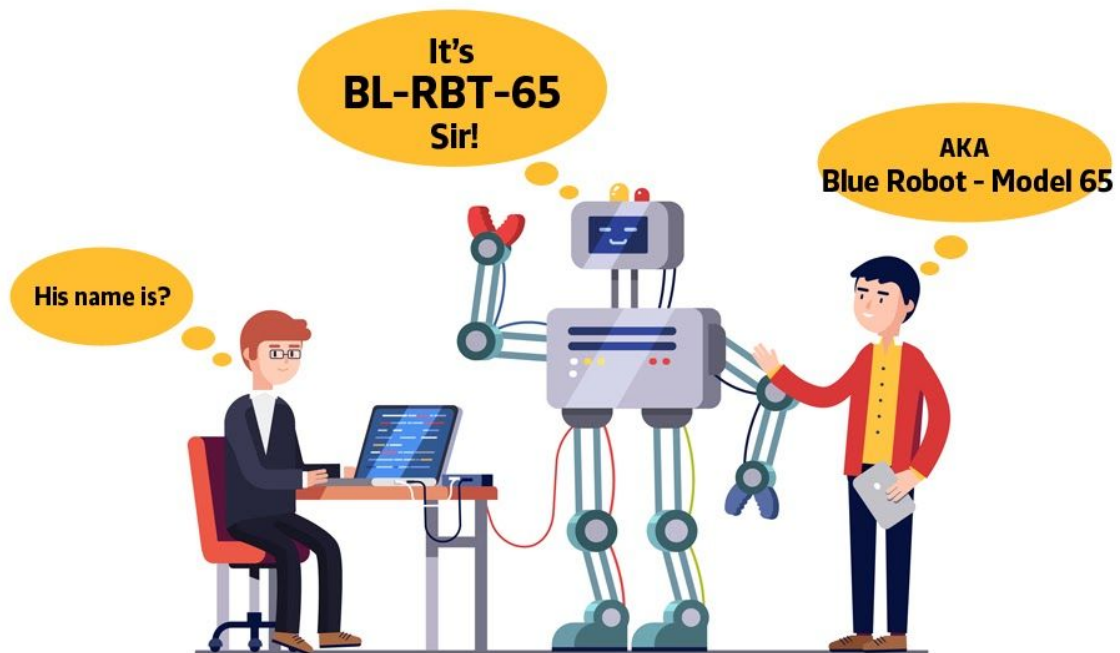
Manufacturer/brand identifier, collection identifier, category identifier, raw material identifier, gender identifier, color identifier, size identifier, etc

→ Adidas' Summer Collection Men's Leather Shoe Size 9 – ADSC-M-LTSH-BK-9

### **Define a coding system**

Prepare and maintain a list of codes for things like manufacturers, brands, colors, sizes, etc. You might also want to decide how many alphabets of each attribute or identifier should be feasible and easier to use. You and your employees need to memorize them, and eventually be able to read and interpret product SKU quickly. Avoid keeping remote codes for every attribute. Else you'll end up creating SKU numbers, which are even longer than their actual description!





Here are some examples of codes:

**Brand name – 2 alphabets (or 3, maybe)**

Adidas – AD

Puma – PU

Woodland – WL

**Size – 2 alphabets**

Medium – MD

Large – LG

Small – SL

Or simply use exact numeric sizes – like 7, 7.5, 41, 42, etc.

**Colors – 2 or 3 alphabets**

Black – BK

Blue – BL

Red – RD

Yellow – YL

And so on...

### Codes for product category identifiers. For example:

- Cereals – 01
- Sauces – 02
- Bread – 03
- Biscuits – 04

### Try Orderhive's FREE SKU generator.

PRODUCT DETAILS			CREATED SKU
PRODUCT NAME	ATTRIBUTE-1	ATTRIBUTE-2	SKU
Bottle	medium	white	BOT-MED-WHI
Watches	small	blue	WAT-SMA-BLU

*Remember: Good SKUs Will Make Your Life Much Easier!*

### SKUs for Amazon:

- Some [Amazon sellers](#) use UPCs and warehouse locations for their SKUs
- Having SKUs is a mandatory prerequisite for selling your products on Amazon
- Amazon sometimes recommends adding a listing date, the condition of the item and the cost price you paid
- For instance, if you create an SKU for a black leather briefcase that's sitting in your Washington warehouse and the listing is set to appear on June 1, it might look like this: LBCASE-Blk-New-WTN-June01

### How to create an Amazon SKU?

To structure SKU choose the information that will help you to manage, identify and track products easily and -

1. Get the product details asap
2. Note the sale quantity of each product
3. Know about the period a product 'sat on the shelf.'
4. Be able to increase the pick. Pack and ship efficiency

## 5. Manage and track inventory seamlessly

Now let's understand how you can generate an SKU that can help you achieve all of the above-given points.

- Make sure that the first two letters always represent the information about the manufacturer or supplier. For example, if the product is from Apple, the first two letters should AP or AL. This information helps you identify the popularity of a supplier or a manufacturer if a particular product with a specific SKU is bringing in some good revenues. You can then probably plan on buying more from that manufacturer or supplier in the future.
- The next two letters should be chosen to denote the type of item. For instance, if the product is a phone, then the following two letters can be MB. Now this will help you to identify the type of product you are looking for when you have several products for different kinds.
- The next thing should be the date, the one on which you've sent your product to Amazon's warehouse. This date on SKU will help you figure out the time for which the product is sitting in the Amazon's Warehouse. With the help of this information, you can gauge the performance of a product and also forecast demand.
- After the date, now the next thing is to figure out whether the product is new or old, so add NW that denotes that the product is new.
- Moreover, you can include the cost price so that you can know how much you have paid. So, to keep track of the cost of each product, you can include the cost in the SKU. E.g., if the cost price is \$500, then you can write it as a 500d.
- At the end of the SKU number, you need to put the number of the product. If the mobile is the 10th product in the batch, then you need to put 10 at the end.

SKU of the product that we discussed above would be -

AP-MB-300120-NW-500D-10

This is just for demonstration purposes. You can create and use your format for SKU creation. Only remember one thing that the SKU should be more than 6 characters and less than 40 characters

Some Good SKU Code Examples with different SKU formats:

- PUMA Wallet Red Small – PMA-WAL-RED-SMA
- DELL Monitor, 2019 Model, Black color, 21 inch – DEL19-MON-21BL
- Adidas sports shoe size 8 white color –ADI-WHI-SS-08.

- Spring 2018, Flower Tee, Small, Red – S18T-FLR-RS
- Baskin-Robbins Strawberry Cake and candles, 1-kg weight SKU would be 1K-BRSB-CKC

## **SKU Vs. UPC: They are not the same!**

SKUs, unlike UPC, are unique or local to an organization and thus serve ONLY as internal use codes. This means that a product with the same UPC can be saved as two different SKUs by two different sellers. Not every product has a registered UPC but can have a seller-coded SKU.

Let's explore the difference "big difference" between SKU & UPC:

## SKU

- SKU - Stock Keeping Unit is a code assigned to a product by its seller based on his/her coding convention.
- Non-standard numeric or alphanumeric code, generally 6 to 9 characters long.
- Based on individual seller's coding convention - a product's SKU will be different for different sellers.
- Can be used for tangible or intangible products.
- Has to be easily read and interpreted by seller and his/her team.
- SKUs are for internal inventory tracking purposes and operations only.
- SKU number consists of essential information related to seller's product or its attributes.
- SKU number consists of essential information related to seller's product or its attributes.

SKU-RDSHRT-18

## UPC

UPC - Universal Product Code is assigned by GS1 (Global Standard 1) US. Businesses/brands pay to join GS1 US which then issues them unique prefixes using which they create their own unique codes containing the prefix.

Standardized 12-digit numeric code.

Product UPC remains constant.

Normally printed on tangible products as a barcode.

Can not be interpreted by humans.

UPC codes, as assigned externally, are used for identification of product info & manufacturer, and not inventory, by retailers and distributors at the point-of-sale.

UPC consists of information to identify manufacturers and sellers selling the product.

UPC consists of information to identify manufacturers and sellers selling the product.



For business in some countries, you may need to use a unique 13 characters UPC called an International Article Number (IAN) or European Article Number (EAN).

There are a lot of retailers who use UPCs as SKU numbers, however. Generally, it is advised not to, as both convey different information and that too differently. Sellers, especially those who make their products and are not registered to GS1, may find it beneficial to create their own SKU system.

## Best practices to manage SKUs – the Do's and the Don'ts

Different companies will follow different methods to assign SKU to their products. However, some best and comfortable practices can universally be followed to create and manage product SKU for smart [inventory management](#). Below are a few of them:

### Don'ts for managing SKUs

- Never start an SKU with ZERO, unless you are forced to do so by something out of your control.
- Don't include number-like letters or letter-like numbers: Simply avoid numbers such as 0 (looks like "O") and 1 (looks like "l"), and likewise, avoid culprit letters like O, I, and L.
- DO NOT use a manufacturer's serial number or SKU in your SKU. These numbers are often too long and cryptic. Plus, such SKUs become meaningless to your organization in case switch suppliers, or if the manufacturer changes their number
- Do not load item numbers with meaning. Do not try to use the SKUs to describe your product unless you are needed to. Save this information for the item description.
- Avoid starting the product SKU with characters such as "/" or "\*" or "since these symbols may be mistakenly read as formulas in programs such as Excel. See if your brain can decipher something like this: X\$%U-xOo\*-QU%1!
- Never reuse an SKU (even if a product is discontinued) and make sure each product comes with a unique SKU.



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SKU	Current Stock Level	Lead Time (Days)	Max. Daily Usage	Max. Lead Time (Days)	Avg. Daily Usage	Avg. Lead Time (Days)	Reorder Point	Reorder!
APR-IB-TG	100	8	5	12	10	5	96	
APR-IB-TG	20	8	5	11	12	5	112	

## **Do's for managing SKUs.**

- Try to keep your SKUs simple and alphanumeric where possible. The more simple SKU it is, the better for everyone!
- Keep SKUs short, but not so short that they end up being mistaken for other attributes (like quantity). 4 to 9 characters should suffice for most organizations.
- Consider using a few letters to begin the SKU. It becomes easier to scan or search for items in the lists and distinguish one SKU type from other SKUs. Letters also significantly increase the number of possible SKUs you can have while keeping the overall SKU length as short as possible. For example, for an item "Notebook, 100 pages", you create SKU as "NTB100", while for "Notebook, 200 pages" would be "NTB200", etc.
- Longer SKUs may be advantageous if you have lots of products OR if you use just a few SKUs but want them to provide more information.

## **SKU and Inventory Management Software**

Inventory management software (cloud-based) is becoming a prime necessity for multi-channel sellers, brand owners, as well as multi-brand sellers. It helps you with syncing of inventory across channels, keeping you updated on stock levels in real-time and streamlining entire order fulfillment processes. With such tools, most of your work becomes automated, tasks are simplified, and operations & actions are saved/noted for any future reference.

Inventory management tools also store and track products based on SKUs. And this is how you can use SKU in inventory management software:

- Create SKU codes for your products.
- Create and print SKU barcodes for your products.
- Bulk-map your product SKU codes to your supplier SKUs for timely reordering of products.
- Bulk map your product SKUs to the third party marketplaces SKU like Amazon, Flipkart, Magento, etc. These may or may not be the same for the same product.
- Once you have mapped your SKU code across channels, inventory and prices are automatically updated across all sales channels (online and offline) in case of a sale or manual reset of the system.

## **SKU Inventory Management Using Multi-Channel Mapping in an Inventory Management Software**

Assign SKUs to manage your inventory and overcome SKU duplication by multi-channel mapping for a hassle-free inventory control experience.

### **SKU Mapping**



Inventory Management softwares SKUs for products across your selling channels to retrieve accurate inventory information for your products. When it comes across duplicate SKUs, it notifies you.

### **Avoid Duplicate SKUs**



IMG	STORE	SKU	NAME	ACTION
	Etsy	FG121	Flag Book	Update New SKU <input checked="" type="checkbox"/>
	Etsy	FG121	Flag Book	Update New SKU <input checked="" type="checkbox"/>

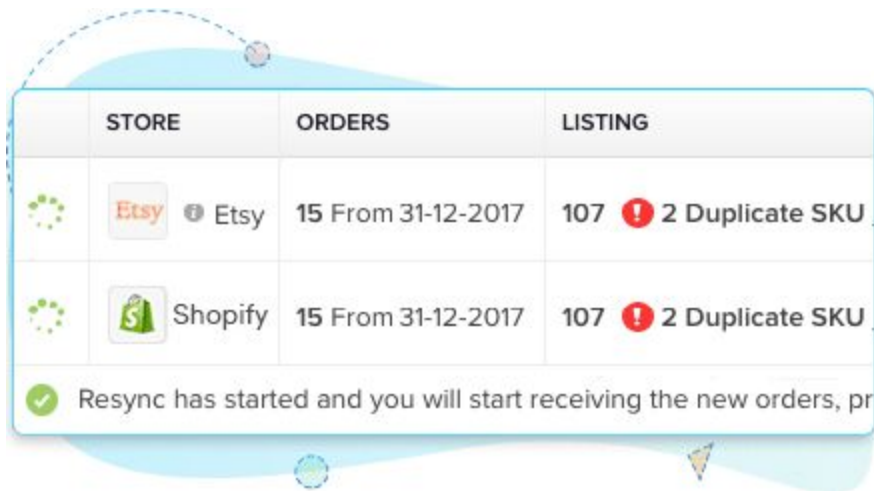
Inventory Management softwares like Orderhive allow you to edit duplicate SKUs. This prevents order fulfillment errors and earns you satisfied customers every time.





### Keep Default SKUs


STORE	SKU	NAME	ACTION
	FG121	Flag Book	Keep Default SKU <input checked="" type="checkbox"/>
	FG121	Flag Book	Keep Default SKU <input checked="" type="checkbox"/>

Unique use cases demand using duplicate SKUs. With Orderhive, you can keep the duplicate SKU as it is and continue with your fulfillment process.

## Solve Inter-Store SKU Duplication



STORE	ORDERS	LISTING
 Etsy	15 From 31-12-2017	107  2 Duplicate SKU
 Shopify	15 From 31-12-2017	107  2 Duplicate SKU

 Resync has started and you will start receiving the new orders, pr

Shopify, eBay, CS cart, and some other platforms are prone to SKU duplication. Orderhive eliminates these anomalies & gives a hassle-free experience in managing inventory and fulfillment.

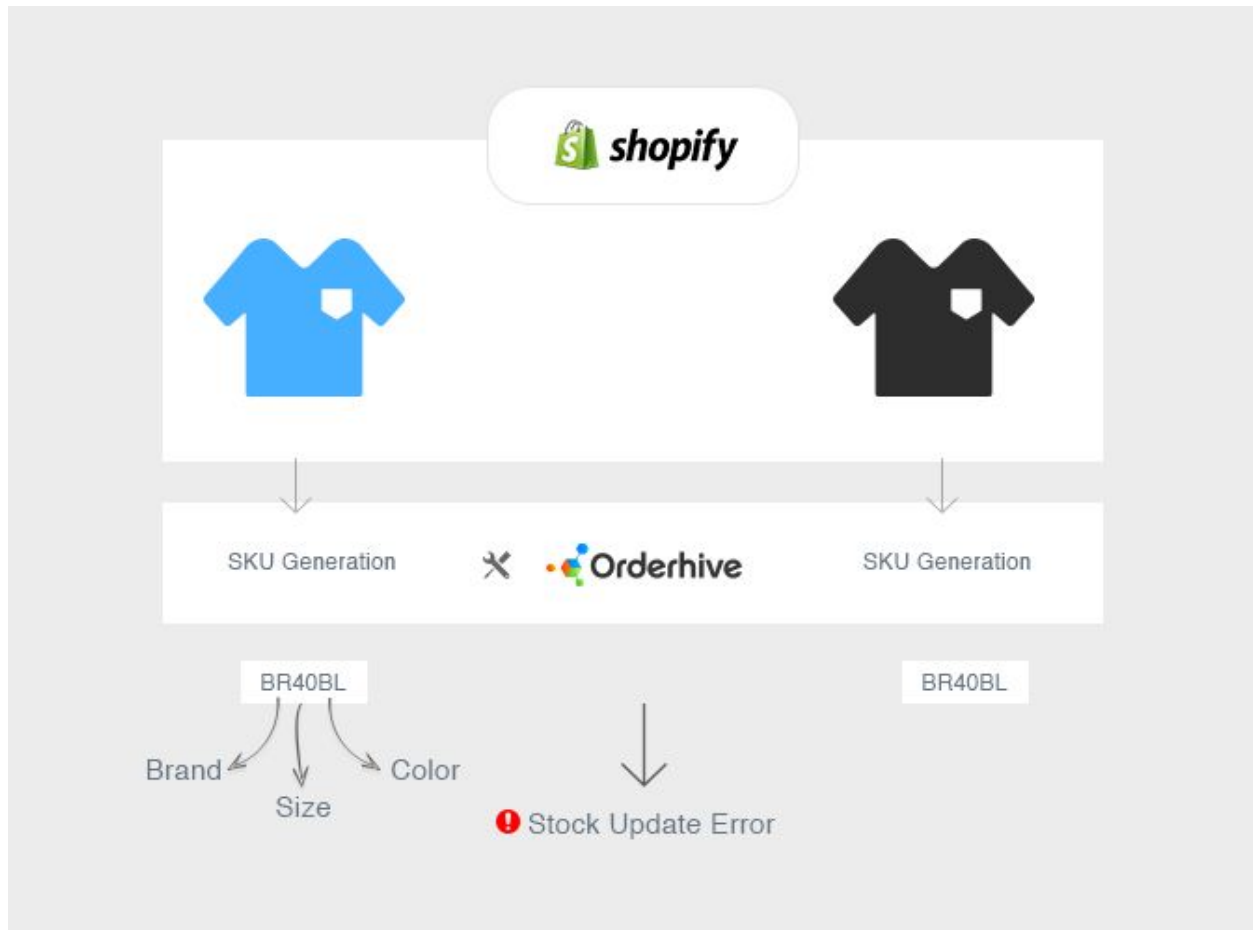
## Common Problems with SKU management-

Overall, the challenges can be classified into two different categories. These are Intrastore and Interstore, respectively.

Let's look at intrastore challenges first-

### Direct Duplication-

Sellers often create a direct duplicate for other product(s) that might be completely different from the previous one with the original SKU.



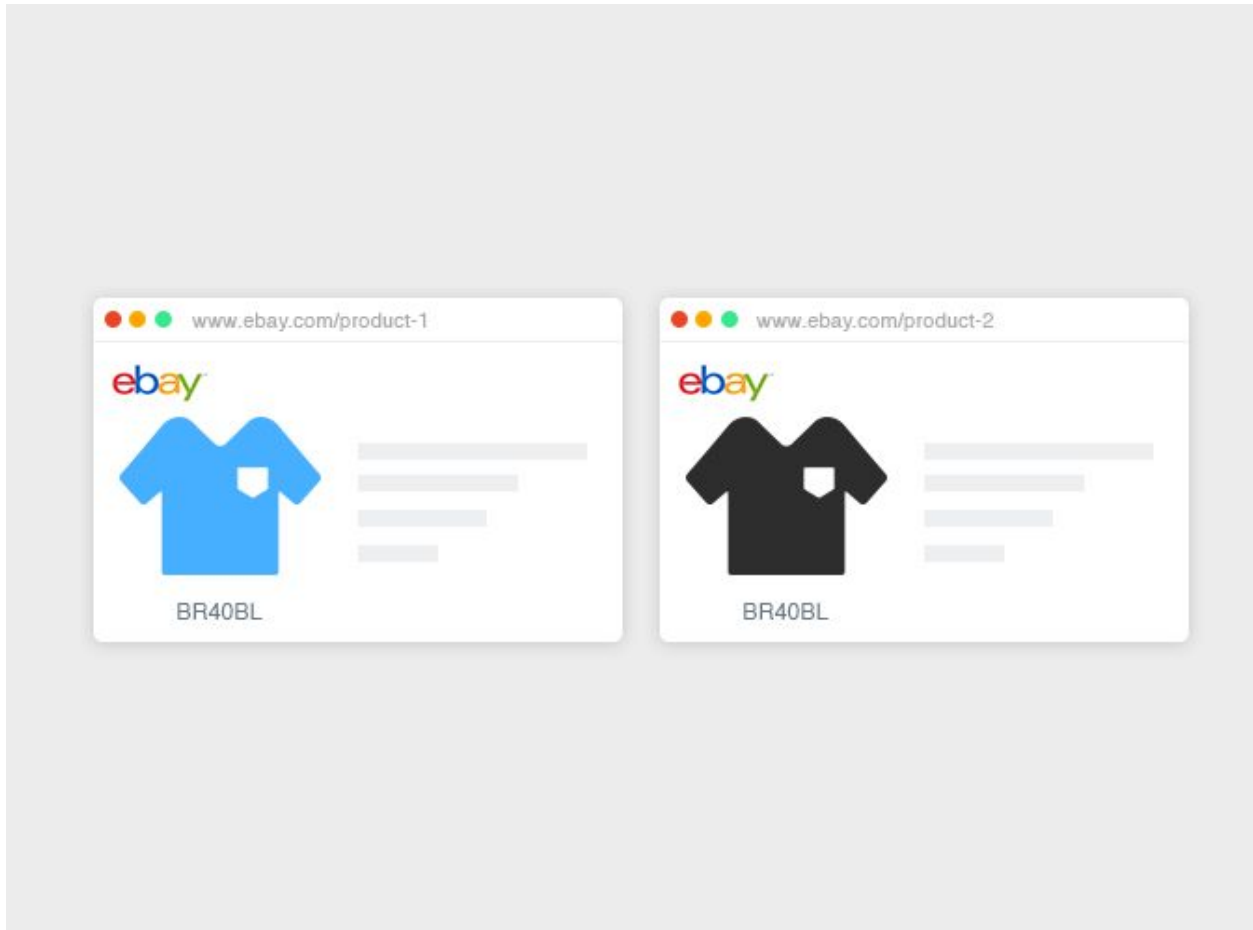
Consider an example of two products with different color variants but the same brand. There are various instances when a different product can be assigned the same SKU, as shown above.

1. A pair of Blue shirts get the same SKU. Thus, two different variations but the same SKU.
2. Seller forgets the previous SKUs. Assigns the same SKU to another product
3. Seller deliberately creates the same SKU due to unawareness

### **Duplicate SKUs due to multiple listings-**

This is a significant problem exclusive to eBay listings.

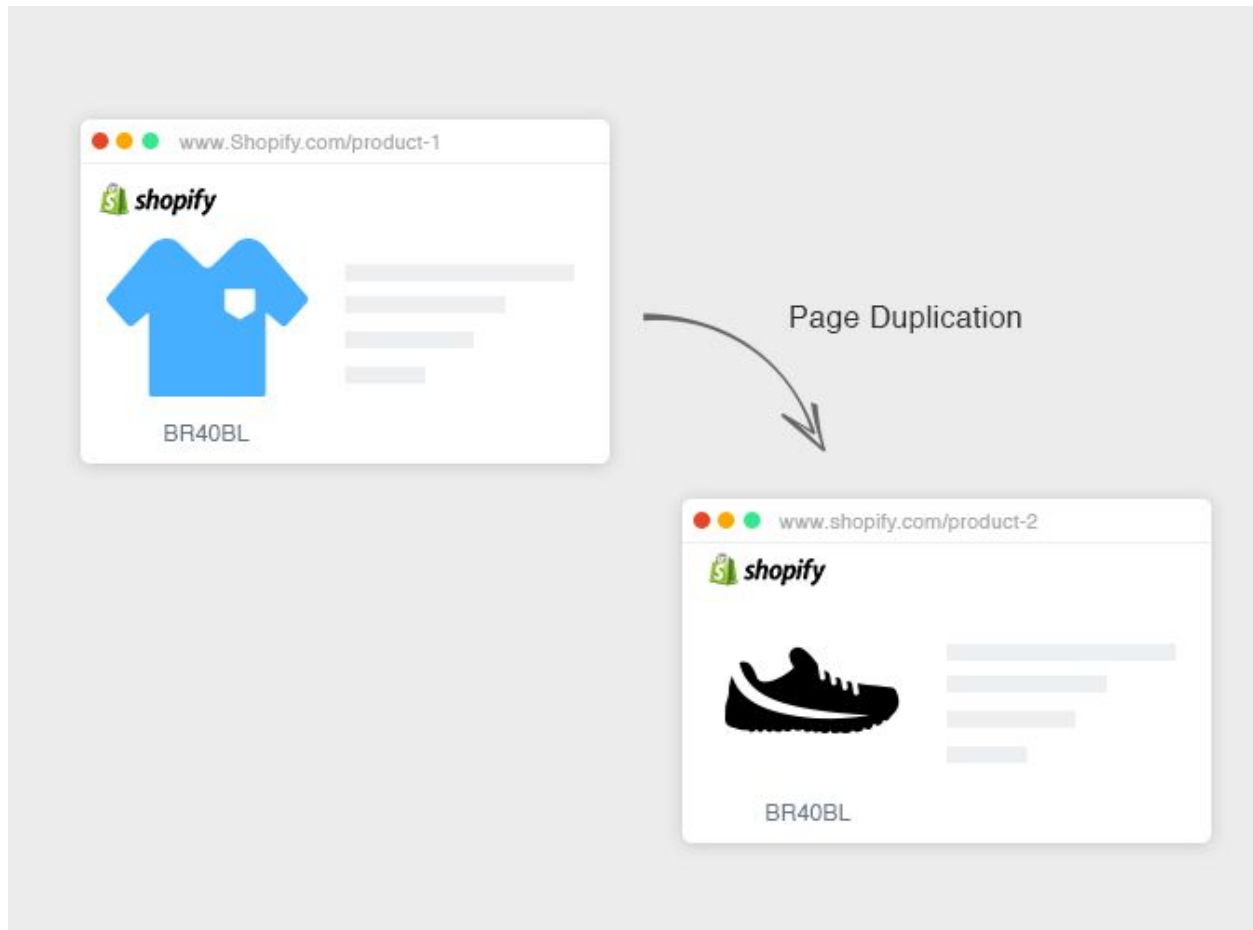
eBay allows users to create multiple listing pages for similar products.



Sellers usually do this to earn as many links as possible for a given set of keywords. However, with duplicate listings, duplicate SKUs also pop up. This is not a good practice as far as inventory management is concerned.

### **Duplication in Shopify-**

Shopify allows sellers to create duplicate pages from an existing one quickly and then edit the details. While the idea here is to help sellers make quick pages, the SKUs are often carried forward from an old page to the new page. Sellers forget to change them, leading to duplication.



## No SKU in Storefront-

A lot of times, an item is stocked in the warehouse, but no details are put on the storefront. The seller usually forgets or does not keep a log of the previous SKUs. In such cases, a seller may put together a new SKU on the storefront compared to SKUs already assigned in the warehouse.

Since an SKU log is not maintained, the seller may also end up assigning a duplicate SKU for the product. This duplicate SKU may be the same as some other product already listed on the storefront.

Consequences-

1. Same SKU for two products may result in shipping the wrong product
2. Inability to locate product in warehouse and ship
3. Overall dip in sales and reputation

By now, you might have understood that duplication may happen across all storefronts and marketplaces.

Now, if you employ an inventory and order automation tool between all these, it cannot function.

### **Deleting Products without keeping a log of old SKUs-**

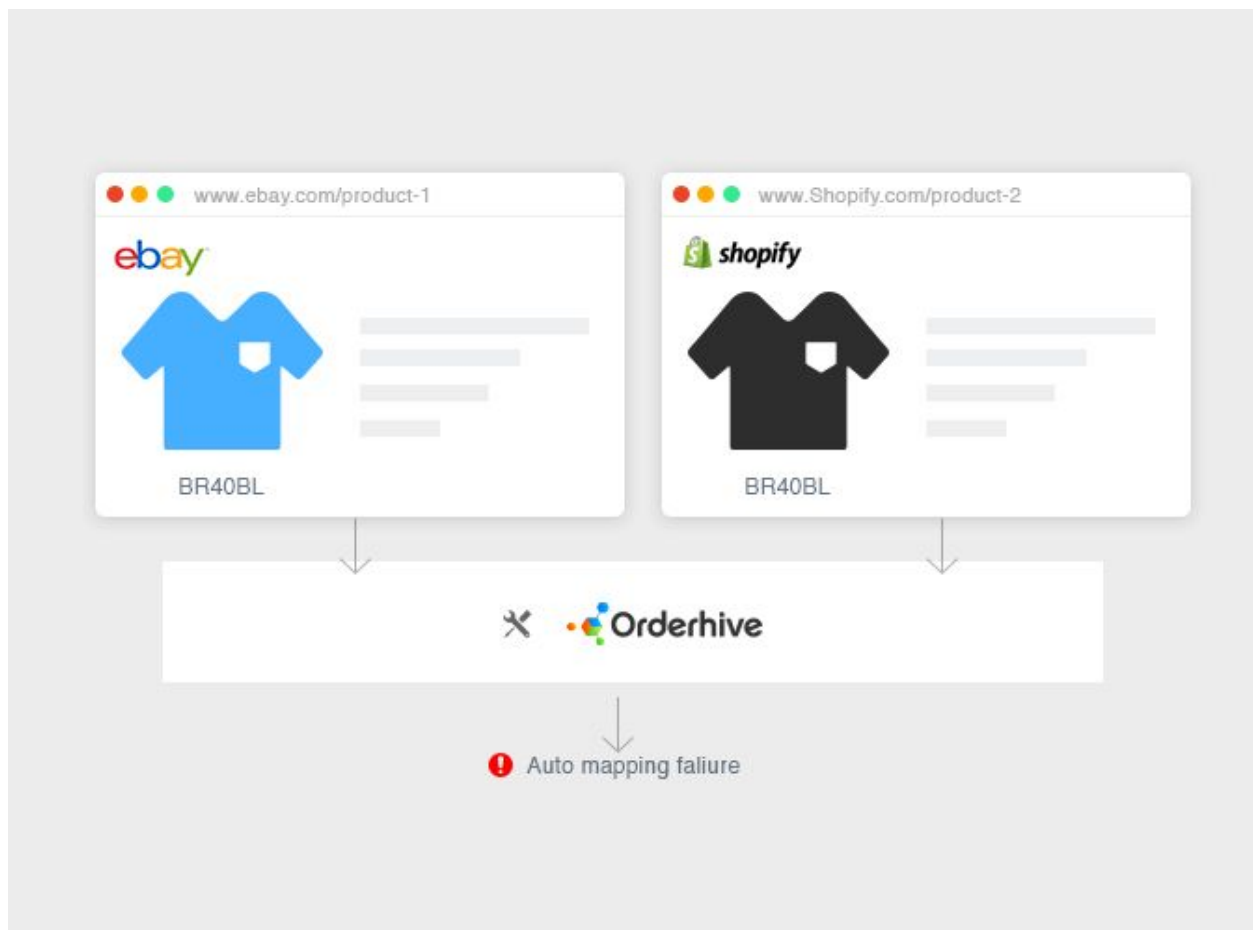
Often sellers remove certain products from the storefront already having an assigned SKU. After the product is deleted, its SKU should also be eliminated. But, many times, it is not.

When new products with the same attributes make way to the warehouse, the seller assigns the same SKU again, and a duplicate is created.

### **Interstore Issues-**

Most of the sellers selling on multiple storefront and marketplaces mostly use some sort of inventory management software to automate inventory and order management backend tasks.

However, when sellers create duplicate SKUs on multiple storefronts, the automation software ceases to work.



Some of the common Interstore issues encountered include-

### **Auto-mapping failure-**

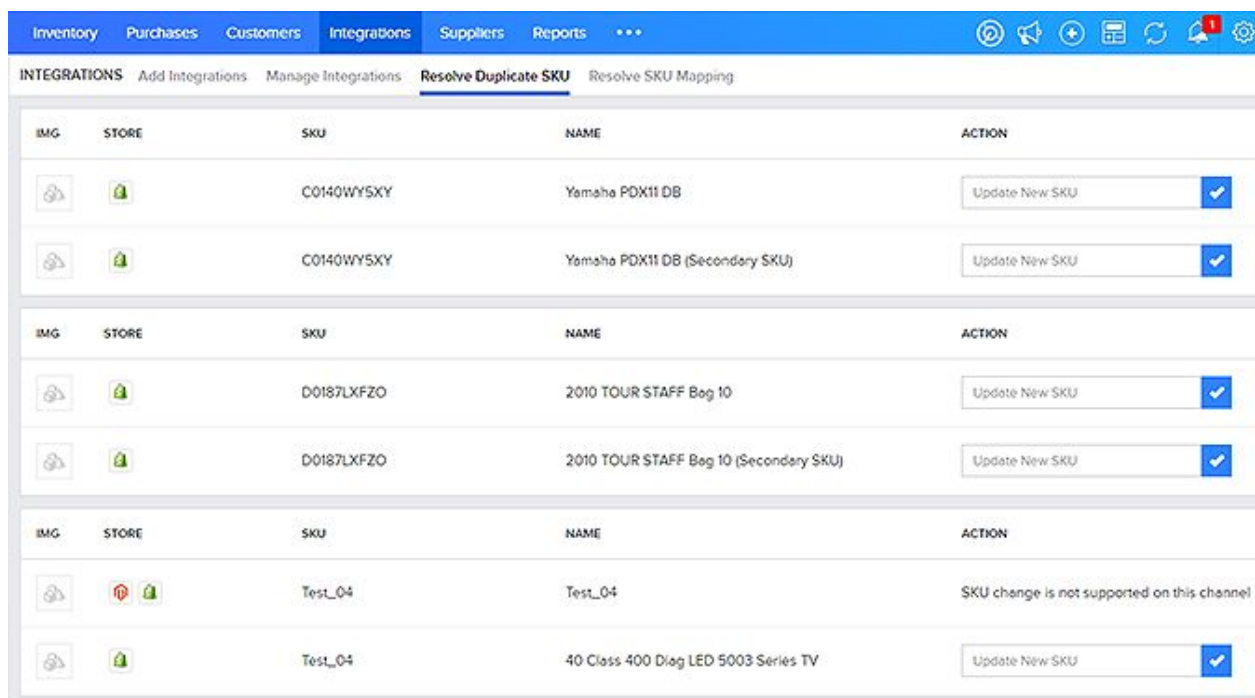
The system cannot map the SKUs coming from different storefronts and marketplaces.

### **Unable to perform SKU mapping-**

SKU mapping is matching the products you created on your inventory management system with the respective channels you are selling them on.

### **Solution-**

These issues pertaining to duplicate SKUs are now sorted with the help of inventory management systems.



IMG	STORE	SKU	NAME	ACTION
		C0140WYSXY	Yamaha PDX11 DB	Update New SKU <input checked="" type="checkbox"/>
		C0140WYSXY	Yamaha PDX11 DB (Secondary SKU)	Update New SKU <input checked="" type="checkbox"/>
		D0187LXFZO	2010 TOUR STAFF Bag 10	Update New SKU <input checked="" type="checkbox"/>
		D0187LXFZO	2010 TOUR STAFF Bag 10 (Secondary SKU)	Update New SKU <input checked="" type="checkbox"/>
		Test_04	Test_04	SKU change is not supported on this channel
		Test_04	40 Class 400 Diag LED 5003 Series TV	Update New SKU <input checked="" type="checkbox"/>

**You can also watch this video to learn to resolve SKU duplication in an inventory management software -**

<https://www.youtube.com/watch?v=dCzOMv3fcuM#action=share>

## **SKU code updater to avoid duplication**

We understand that specific business models require merchants to create and work with duplicate SKUs. This is why our revised SKU management tool allows you to keep duplicate SKUs if you want them to. Please go through the [featured update](#) post to know more.

## **Final Steps**

Take complete charge of your inventory NOW by taking these actionable steps:

1. Prepare formats, codes, and name your SKUs.
2. Implement a system to continuously name-new SKUs, label, track them in your warehouses, and at points of sale. Be consistent.

You see, the SKU system will not just make your and your team's life more comfortable, but also make your business more efficient to match up to the global standards and marketplaces. With SKUs, inventory handling and tracking won't be a daunting task anymore.

*"Yes, the initial steps will consume some efforts, but surely your business is worth it!"*

## **Essential Resources -**

1. <https://www.dotactiv.com/blog/skus>
2. <https://www.shopify.in/retail/what-is-a-sku-number>
3. <https://crazyliester.com/blog/guide-amazon-sku-asin-ean/>
4. <https://corporatefinanceinstitute.com/resources/knowledge/other/stock-keeping-unit-sku/>
5. <https://www.investopedia.com/terms/s/stock-keeping-unit-sku.asp>
6. <https://www.thebalancesmb.com/what-is-a-sku-in-retail-terms-2890158>
7. <https://fitsmallbusiness.com/sku-numbers/>
8. <https://manufacturing-software-blog.mrpeasy.com/stock-keeping-unit-sku-best-practices-for-inventory-classification/>