A complete guide to Amazon Inventory Management for beginners

Introduction

Inventory Management refers to the process of determining the amount of stock you should keep that is ready to ship the moment you receive an order. With the right mix of inventory management strategies, you can attract more customers while avoiding the risks and unwanted inventory costs.

If you're a beginner who has very little experience in managing inventory, there are certain steps you can take, a checklist of sorts, that will help you in running your business optimally.

See If The Price Is Right

Zeroing in on the right price for your product is arguably the most important aspect of the sales process. Understanding who your potential customers are, and tracking their spending habits helps you determine how much your product should cost. If you overprice it, your product may end up being left at the online aisle. Underprice it and you run the risk of not making the most of the sales opportunities.

The sweet spot for your product lies somewhere in the middle, just below the spot where most of the competition has parked theirs. Just a quick glance at the listings made in your category will help you figure out how to price your product in a way that it stands out from the rest.

Keep an eye on the Turnover Periods

An inventory turnover period is the time frame within which all of your inventory gets sold out. You can easily calculate your turnover rate by tracking the average number of orders you receive per week or per month. For example, if you have 250 SKUs in your inventory and sell 100 units on an average per month, your inventory would last for about 2.5 months.

Although these are just projections, they're really helpful in maintaining your stock levels and protecting you from both- running out of stock or overstocking. You can understand monthly and yearly trends to make your forecasting more efficient and sophisticated. If your products are more used during a particular time of the year, you'd see a spike in sales around that time and may want to increase your stock to meet the demands.

Another important number you may want to keep an eye on is your supply chain lead time. This refers to the time it takes for your products to reach your inventory from your supplier. A good understanding of both these numbers will enable you to keep your inventory stocked optimally.

Tip: Amazon has a built-in tool for forecasting sales, known as [Amazon Selling Coach](#), which you can access from the dashboard of your Seller Account. Leverage it to plan your inventory better.

Run strategic promotions

Promotions are a great way to accelerate sales and clear out the inventory. If you're selling multiple products that complement each other, you can tie them together in a bundle and set a discounted price. It's an effective upselling and cross-selling strategy. By creating detailed customer profiles, you would be able to determine when your customers are looking to spend the most. Strategically placed promotions for seasonal products tend to work the best, along with promotions run around holidays and festivals.

An important aspect of running a successful promotional campaign is knowing when to halt it. This requires you to keep close track of your inventory. Find out how much of your stock do you want to put up for the promotions. Once you hit the target, simply pause or stop the campaign.

Tip: Amazon generally takes 4 hours to halt a campaign after you've chosen to stop it. Take that into consideration while planning the campaign.

Dropshipping

Dropshipping is a concept that allows you to sell a product without actually having to store it. If you're acquiring your stocks from another seller, you can simply drop ship your products so that the seller can directly send the orders to Amazon on your behalf. This rids you from having to actively manage your inventory, in lieu of a dropshipping fee paid to your supplier. However, it's important that you go through all the charges involved in the process and make sure you're making enough profit at the end.

Amazon has a dropshipping policy that the sellers have to adhere to. Make sure that your supplier follows the policy or else your seller account may face suspension and penalties.

Use an Inventory Management Software

All of the above steps may seem overwhelming at times. With so much already on your plate, you may want to consider having a helping hand that can guide you through these intricacies. An inventory management software goes a long way in helping you set up and manage your Amazon inventory, allowing you to focus on other important areas of your business.

A tool such as <mark>Orderhive</mark> comes with a variety of integrations and powerful analytics capabilities that can help you visualize your entire inventory with ease. You can keep track of your stock levels, set up automation triggers to order more when it hits a certain level, and do much more.

Conclusion

While managing your inventory sounds like a mere application of common sense at first, a slightly detailed look into it reveals that it's easier said than done. However, once you get the hang of it, start following the best practices, and leverage all the tools that are at your disposal, you would be able to consistently ace it and beat the competition.