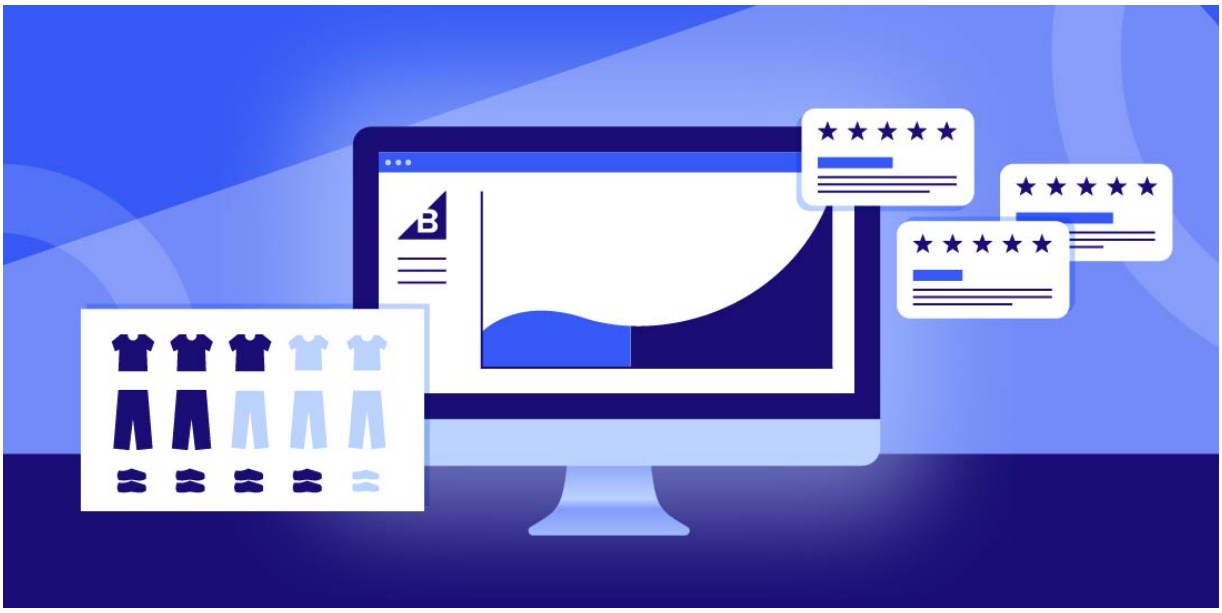
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Embrace Inventory Management and Watch Your Customer Satisfaction and Profits Soar



What you'll learn:

- Why ecommerce inventory management is key to customer satisfaction, cash flow, and growth
- The step-by-step process and tools for building a strong inventory system
- Common mistakes to avoid and the KPIs that matter most
- Proven inventory management techniques like EOQ, JIT, and batch tracking
- How BigCommerce supports flexible, multi-channel, and automated inventory management

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Poor inventory visibility does more than cause headaches. It costs you sales.

In fact, 69% of online shoppers abandon purchases if the item is out of stock. That is a serious issue for ecommerce brands that lack real-time inventory tracking or a centralized system across multiple sales channels.

Effective inventory management helps businesses stay ahead of demand, avoid stockouts, and keep customers coming back.

But it is not just about logistics. Inventory is one of your most valuable fixed assets, and managing it well can improve cash flow, boost operational efficiency, and drive growth.

Whether you're a scaling ecommerce business or an enterprise brand, choosing the right inventory management system gives you control over procurement, fulfillment, and forecasting, all from one source of truth.

This guide breaks down everything you need to know about inventory management, what it is, why it matters, and how to get it right with the help of modern tools and strategies.

What is inventory management?

Inventory management is the process of tracking stock levels and the flow of goods, from raw materials to finished products. It is a core part of supply chain management that helps businesses reduce costs, improve cash flow, and increase profitability.

When inventory is well-organized, the rest of your operations become easier to manage. You can avoid costly issues like stockouts, overstocks, spoilage, and shipping errors.

Yet many businesses still fall behind. Poor inventory tracking affects 62% of business finances, highlighting the need for better systems and visibility.

Unlike enterprise resource planning (ERP) systems, inventory management software focuses specifically on inventory control. Most tools can integrate with other platforms like point-of-sale systems, sales channels, and shipping providers, allowing you to customize your tech stack around your business needs.

Why is inventory management critical?

Inventory management directly impacts your bottom line. When done well, it improves cash flow, keeps customers satisfied, and supports long-term business growth.

Stockouts frustrate customers and send them to competitors. Excess inventory ties up cash that could be used elsewhere. Inaccurate data slows decision-making and creates ripple effects across the supply chain.

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For ecommerce brands, inventory visibility is essential to delivering on customer expectations. Shoppers want fast fulfillment, accurate product availability, and seamless service across every channel.

Strong inventory management also boosts investor confidence and helps internal teams operate more efficiently. It is not just an operational function — it's a growth driver.

Process of inventory management

A strong inventory strategy starts with knowing the steps that move goods from supplier to customer. Clear workflows reduce errors and help you choose the right inventory management software for your business.

Here's a simplified breakdown of the process:

1. **Receive inventory:** Raw materials or finished goods arrive at your facility.
2. **Inspect, sort, and store:** Items are reviewed and placed in designated storage locations.
3. **Track inventory levels:** Use cycle counts or a perpetual inventory system to monitor stock in real time.
4. **Place orders:** Customers submit orders online or in-store.
5. **Approve and route orders:** Orders are processed manually or through automated systems like POS.
6. **Pick and ship:** Items are retrieved by SKU and shipped to the customer or manufacturer.
7. **Update stock data:** Inventory levels are adjusted and shared with key systems and teams.
8. **Restock when low:** Set reorder points to trigger new purchases before stock runs out.

Creating a visual inventory process map can help your team identify bottlenecks, avoid overstocking or stockouts, and maintain a consistent flow of goods.

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Inventory management techniques

Inventory management can become complex, especially for larger apps with many moving parts, encompassing several techniques and strategies.

Let's look at some inventory control techniques you may utilize in your warehouse.

Economic order quantity.

Economic order quantity (EOQ) is a formula for how much inventory a company should purchase, and it includes variables like total production costs, demand rate, and other factors.

The formula identifies the most significant number of units to minimize buying, holding, and setup costs.

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Minimum order quantity.

Minimum order quantity (MOQ) is the smallest inventory a retail business will purchase to keep costs low.

However, remember that inventory items that cost more represent a smaller MOQ than cheaper items that are easier and more cost-effective.

ABC analysis.

This technique splits goods into three categories to identify items that heavily impact inventory cost.

- **Category A** is your most valuable product, contributing the most to overall profit.
- **Category B** is the products that fall between the most and least valuable.
- **Category C** is for small transactions vital for overall profit, but only matters a little individually.

Just-in-time inventory management.

Just-in-time (JIT) inventory management is a technique in which companies receive inventory on an as-needed basis instead of ordering too much and risking dead stock (inventory that was never sold or used by customers before being removed from sale status).

Safety stock inventory.

Safety stock inventory management is extra inventory ordered and set aside if the company lacks enough replenishment.

This helps prevent stock-outs typically caused by incorrect forecasting or unforeseen changes in customer demand.

FIFO and LIFO.

LIFO and FIFO are methods to determine the cost of goods. FIFO, or first-in, first-out, assumes the older inventory is sold first to keep inventory fresh.

LIFO, or last-in, first-out, assumes the newer inventory is typically sold first to minimize warmed-over inventory.

Reorder point formula.

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The reorder point formula calculates the minimum amount of stock a business should have before reordering. A reorder point is usually higher than a safety stock number to factor in lead time.

Batch tracking.

Batch tracking is a quality control technique wherein users can group and monitor similar goods to track inventory expiration or trace defective items back to their original batch.

Consignment inventory.

If you're thinking about your local consignment store here, you're exactly right.

Consignment inventory is when a consigner (vendor or wholesaler) agrees to give a consignee (retailer) their goods without the consignee paying for the inventory upfront. The consigner offering the inventory still owns the goods, and the consignee pays for them only when they sell.

Perpetual inventory management.

Perpetual inventory management simply counts inventory as soon as it arrives to deliver real-time insights.

It's the most basic type of inventory management system and can be recorded manually on pen and paper or an Excel spreadsheet. Or, by using handheld devices that scan product barcodes and RFID tags, you may use an inventory system that automates inventory balances as soon as stock is moved, sold, used or discarded.

Dropshipping.

Dropshipping is an order fulfillment method in which the supplier ships products directly to the customer.

When a store makes a sale, instead of picking the item from their inventory, they purchase it from a third party and have it shipped to the consumer.

Lean manufacturing.

Lean manufacturing is a broad set of management practices an owner can apply to any business. Its goal is to improve efficiency by eliminating waste and any non-value-adding activities from daily business.

Six Sigma.

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Six Sigma is a method that gives companies tools to improve the performance of their business (increase profits) and decrease excess inventory.

Lean Six Sigma.

Lean Six Sigma enhances the tools of Six Sigma but instead focuses more on increasing word standardization and the flow of business.

Demand forecasting.

Demand forecasting is based on historical sales data to forecast customer demand. Essentially, it's an estimate of the goods and services a company expects customers to purchase in the future.

Cross-docking.

Cross-docking is a technique whereby a supplier truck unloads materials directly into outbound trucks to create a JIT shipping process. This eliminates warehousing, and there is little to no storage between deliveries.

Bulk shipments.

Bulk shipments are a cost-efficient method of shipping in which a business palletizes inventory to ship more at once.

To see some examples of effective inventory management, check out our BigCommerce case studies page, where you can find success stories from B2C and B2B merchants.

Common inventory management mistakes to avoid

Even with the best tools, inventory issues can arise if the right processes aren't in place. Here are three common mistakes that can disrupt operations, hurt customer experience, and limit your ability to scale.

Inaccurate forecasting.

Relying on guesswork instead of data can lead to overstocking or stockouts.

Without clear visibility into past sales trends, seasonal patterns, and customer demand, it's easy to misjudge how much inventory you actually need. Poor forecasting impacts cash flow and limits your ability to grow efficiently.

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Manual tracking.

Spreadsheets and manual counts might work for a small operation, but they quickly become error-prone at scale.

Manual tracking slows down your team, increases the risk of mistakes, and leaves little room for real-time insights. Switching to an automated or perpetual inventory system can save time and reduce costly errors.

Ignoring integration needs.

Disconnected systems create information silos.

If your inventory tool doesn’t integrate with your ecommerce platform, POS, or fulfillment software, you're likely to face delays, inaccurate stock data, and fulfillment issues. Integrated solutions ensure your operations stay in sync and responsive to demand.

Benefits of inventory management

Automating your inventory tracking unlocks a world of benefits for your business.

Automation can help build a more resilient business untouched by supply disruptions. Businesses employing a well-oiled inventory management system will see the upside in productivity, cash flow and happy customers.

Customer satisfaction.

Having the right products in stock when your customer is ready to buy and meeting that demand at the right time increases customer satisfaction.

Customers who visit your website want to trust the information they see. Consequently, accurate stock levels can boost overall confidence in your brand. Conversely, with accurate forecasting, you can avoid stockouts, damaging customer relationships, representing lost opportunity costs and impacting your bottom line.

Improve cash flow.

You don't want to tie up your working capital.

Maintaining the right amount of stock helps you manage cash flow effectively. You can put that freed-up cash to work for you in other business areas.

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Increase efficiency and productivity.

Automated inventory systems reduce manual work, streamline fulfillment, and keep stock data accurate. Businesses that integrate their platforms can:

- Cut operational costs by 25%
- Improve inventory accuracy by 30%
- Boost repeat purchases by 20%

These gains free up time, reduce errors, and enhance the customer experience.

Reduce stockouts and overselling.

Say goodbye to the frustration of selling out-of-stock items and disappointing customers with backorders.

With real-time visibility across all your sales channels, you minimize the risk of overselling. A seamless shopping experience builds customer trust and loyalty, and your repeat customers fuel growth.

Better demand forecasting.

Accurate forecasting starts with strong inventory visibility. When you track sales trends and customer behavior, it becomes easier to predict future demand and maintain optimal stock levels.

Modern inventory systems use automation and data analytics to support demand planning, helping you adapt to seasonal changes and reduce excess inventory. The result is fewer stockouts, better cash flow, and a more efficient supply chain.

Inventory KPIs to track

Tracking the right inventory metrics helps you spot inefficiencies, optimize stock levels, and improve performance across your supply chain. Here are three key KPIs to monitor:

Inventory turnover.

This measures how often you sell and replace inventory within a given period.

A high turnover rate usually means strong sales and efficient inventory use, while a low rate may indicate overstocking or weak demand.

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Holding cost.

Also known as carrying cost, this tracks the total expense of storing unsold inventory.

It includes warehousing, insurance, depreciation, and opportunity costs. Lower holding costs typically mean better inventory control.

Fulfillment rate.

This shows the percentage of orders fulfilled without stockouts or delays.

A high fulfillment rate reflects strong inventory accuracy and a positive customer experience.

How BigCommerce supports and elevates inventory management

Intuitive. Integrated. Custom.

That sums up how BigCommerce empowers your business. Manage your storefronts in a single place with apps and integrations optimized to work seamlessly with BigCommerce's inventory management.

Our solution can integrate with your unique ERP and PIM to centralize data, which makes your inventory management work even better.

Product catalog management and organization.

Manage your product catalog with bulk actions like adding, editing and deleting products.

You can easily create and manage unlimited products, file storage and bandwidth, ensuring seamless scalability for your growing business. This allows you to effectively organize and showcase your products, improving customer satisfaction and increasing potential sales.

Flexible product and SKU management.

BigCommerce offers flexible product and SKU management, allowing you to efficiently handle variations within your product offerings.

With up to 600 SKUs per product and 250 options, you have ample flexibility to manage complex product variations, such as size, color or material. This ensures accurate representation and tracking of your products, promoting precise inventory management and preventing stock discrepancies.

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Multi-channel inventory management.

A centralized hub allows you to manage product listings across all your sales channels.

With the modern CSV import/export tool, you can easily manage stock updates across one or multiple inventory locations, ensuring consistency and eliminating the risk of overselling. This centralized approach simplifies inventory management across platforms, allowing for efficient stock tracking and updates.

Digital product and downloadable file support.

Beyond physical goods, BigCommerce facilitates the sale of digital products and downloadable files, expanding your product offerings and reaching a wider audience.

This feature streamlines the process of selling digital content, such as ebooks, software, or music, allowing you to diversify your inventory and capitalize on the growing demand for digital products.

Custom views for simplified management.

Create custom views that simplify your day-to-day management tasks.

This feature lets you personalize your inventory interface according to your specific needs, streamlining data visualization and enabling more efficient inventory management. This customizable approach empowers you to create a user-friendly interface that optimizes your workflow and enhances productivity.

Multi-location inventory management.

If you've struggled with inventory management because you operate multiple locations, your struggle is over.

Our multi-location feature helps you track stock across different warehouses or physical locations, ensuring accurate representation and promoting efficient stock management. This functionality is crucial for businesses with multiple fulfillment centers or those operating in diverse geographical areas.

The final word

Inventory management isn’t just a backend task. It’s a strategic advantage.

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Done right, it fuels cash flow, strengthens customer loyalty, and powers long-term growth. From demand forecasting to real-time stock tracking, every step of your inventory process plays a role in your brand's success.

BigCommerce helps you manage it all with flexibility and scale. Whether you're selling across channels, fulfilling from multiple locations, or offering digital and physical products, our platform gives you the tools to stay in control and ahead of demand.

The result? Fewer stockouts, better margins, happier customers, and a business that's built to grow.

FAQs about inventory management

How do you reduce inventory costs?

A growing business likely means increasing demand and higher overhead costs. Inventory can be costly, especially when you account for warehousing, damaged items and replacements, spoilage, and quality control. Here are some of the best ways to free up capital and minimize inventory management costs: Avoid overstocking: Instead, invest in trying out new products and looking for new opportunities to grow your business. Please get rid of your deadstock: Return obsolete inventory to the supplier, bundle it together and sell it at a discounted price or donate it to free up space in your warehouse. Reduce supplier lead time: By reducing the time between shipments, you can reduce how much stock you have on hand. Choose better inventory management software. This can help centralize inventory control and automate processes.

How do you measure to see if you are successfully managing inventory?

Track key inventory metrics like inventory turnover, fulfillment rate, and holding cost. These KPIs show how efficiently you're managing stock, meeting customer demand, and controlling storage expenses. The more accurate and timely your data, the easier it is to spot issues and optimize performance.

What is the difference between inventory management and order management?

Order management tracks customer orders, whereas inventory management tracks stock levels and the movement of goods, whether delivering raw materials to manufacturers or fulfilling orders for finished products. Thus, inventory management is an essential aspect of order management since order fulfillment requires the right amount of inventory to be available. Luckily, inventory management systems can work to integrate the two, making it easier for business owners to keep products in stock and fulfill orders promptly.

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What do inventory management systems do?

Inventory management systems automate stock tracking, sync data across sales channels, and provide real-time visibility into inventory levels. They integrate with tools like your ecommerce platform, POS, and shipping software to streamline operations, reduce errors, and improve order accuracy.

How do I choose the best inventory management software for my ecommerce business?

Look for software that integrates with your ecommerce platform, supports real-time tracking, and scales with your business. Prioritise tools that automate manual tasks, offer multi-channel support, and provide clear reporting so you can make data-driven decisions.

Does BigCommerce integrate with inventory management software?

Yes. BigCommerce integrates with a wide range of inventory management solutions, including ERPs, PIMs, and third-party apps. These integrations help centralise data, automate workflows, and keep your stock levels accurate across all channels.

How can inventory data improve ecommerce operations and demand forecasting?

Inventory management systems use real-time data to track stock levels, sales trends, and seasonal patterns. This helps you forecast demand more accurately, avoid stockouts or overstocking, and make smarter purchasing decisions. With better visibility, you can optimise operations, reduce costs, and improve fulfilment during peak seasons.

What are the benefits of multi-channel inventory management for ecommerce brands?

Multi-channel inventory management lets you track and sync stock across all your sales platforms in one place. It reduces the risk of overselling, ensures accurate availability, and helps you fulfil orders faster. The result is a more seamless customer experience and better control over your operations.

What's the difference between inventory management and supply chain management?

Inventory management focuses on tracking stock levels, inventory counts, and storage, including perishable and non-perishable goods, while supply chain management covers the broader

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process of sourcing, production, and logistics. Both are essential, but inventory management tools offer more detailed control over real-time stock and order management.

Do I need inventory software if I'm dropshipping?

Yes. Even if you don't hold inventory, ecommerce inventory management software helps you sync with suppliers, track orders, and automate purchase orders. It ensures product availability is accurate across platforms like Amazon and Shopify, which is especially important for small businesses using an omnichannel strategy.

How can I track inventory across multiple warehouses?

Use an inventory management solution that supports multi-location tracking and integrates with your warehouse management system. Features like barcode scanning, low-stock notification alerts, and automated inventory counts make it easier to maintain accurate inventory data across all fulfillment centers.

How can ecommerce brands prevent overselling during high-traffic events?

Real-time inventory syncing, predictive analytics, and machine learning can help forecast demand and prevent overselling. Integrated inventory management systems update stock automatically across channels like Amazon, Shopify, and your ecommerce store, especially when launching new products or handling spikes in purchase orders.

Can I use BigCommerce with third-party inventory apps?

Absolutely. BigCommerce supports robust API connections and integrates with a wide range of third-party inventory management tools. These integrations give you advanced features like dynamic pricing, barcode scanning, warehouse management, and order management across your omnichannel ecosystem.

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