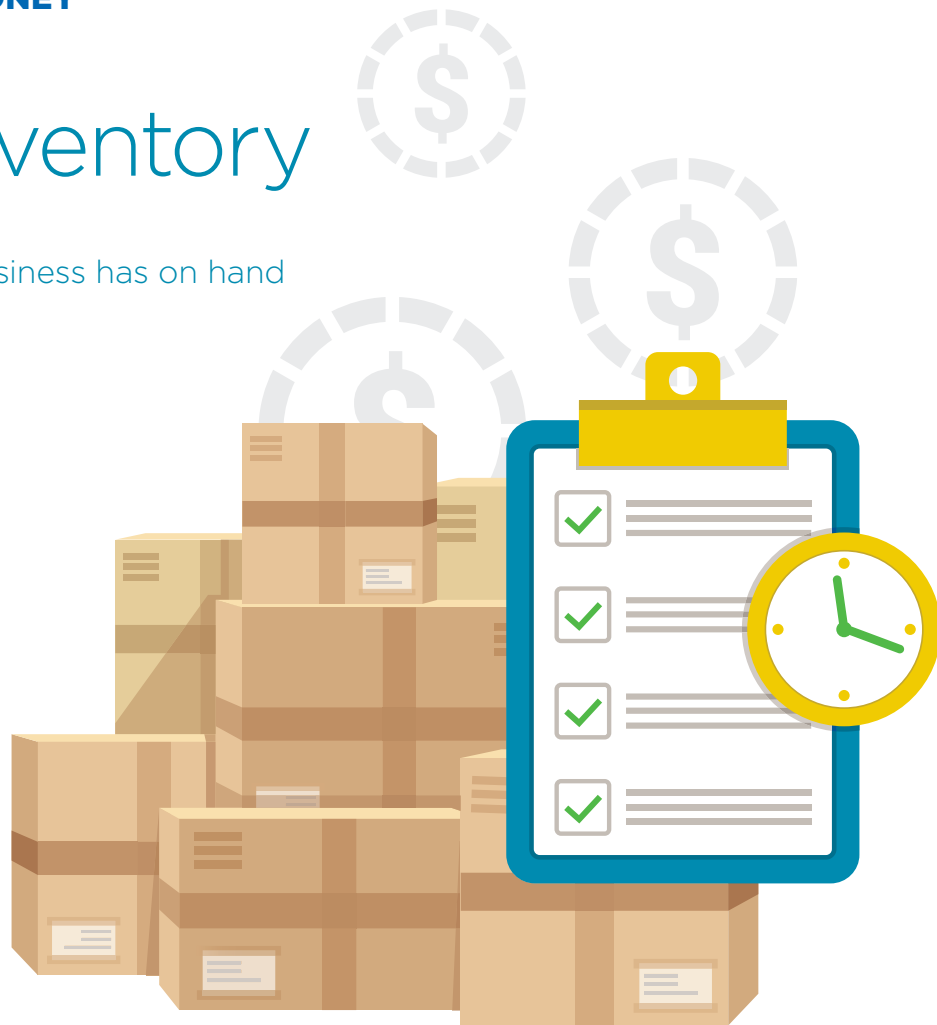# Managing Inventory

Inventory is all of the goods a business has on hand awaiting sale to customers.

- **These products could be in a store, a warehouse or other repository.**
- **Until they are sold the company is said to be "carrying" them – occupying space and tying up working capital (the cash available for the business to spend on operations and investments).**
- **Ideally, inventory should "move" (be sold) quickly and consistently.**

Successfully managing inventory requires:

1. Setting **sales projections** based on what you think the demand will be.

2. Monitoring **actual sales**, to determine which products are selling most quickly, and which ones may require a modified sales strategy.

3. Tracking **order cycles**, the time it takes from placement of an order with a supplier to delivery of the goods, and then from delivery to sale. This will help determine quantities and frequency of deliveries

Setting your price

Pricing is different for every product, and should be based on:
   a) getting the most possible revenue
   b) ensuring inventory moves

Pricing should also take into consideration the costs of carrying the inventory, such as storage space.

Above all, you want to be sure you are competitive. Analyze the marketplace – through comparisons with companies selling similar products, price-checking and understanding supply and demand – to learn where you fit to maximize your sales.

If inventory isn't selling, strategies to consider include:

- Reducing the price.
- Bundling – giving away excess inventory alongside products that are selling well.
- Returning inventory to suppliers, perhaps by negotiating a deal to order other items.
- Donating (e.g., to a shelter) and getting a tax receipt.

It is important to be objective, not keeping products just because you like them. Decisions should be based on assessing the product's real value and demand in the marketplace.

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