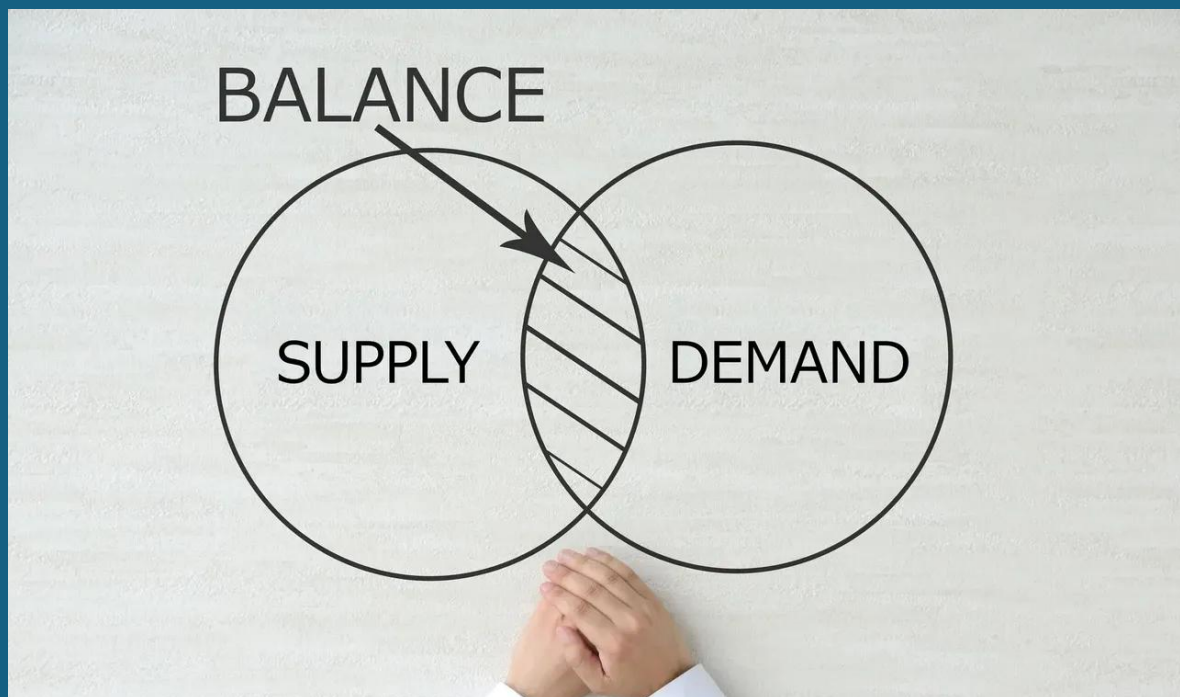


Inventory Strategy for Demand, Resilience and Working Capital



Procurement and Supply Chain Management Made Simple.

Foreword

Inventory has always occupied an uncomfortable position within supply chain management. Too much stock absorbs working capital, increases storage costs and heightens exposure to obsolescence, while too little can interrupt production, undermine service and ultimately lose customers. The challenge is therefore not simply to reduce inventory, but to determine how much to hold, where to position it, and how quickly it should move through increasingly complex supply networks.

That challenge has become more demanding as organisations contend with volatile demand, extended international supply chains, shorter product lifecycles and rising expectations for rapid fulfilment. Digital commerce has increased customer visibility and compressed acceptable lead times, while geopolitical disruption and supplier concentration have demonstrated the vulnerability of highly lean operating models. Inventory decisions must consequently balance efficiency with resilience, recognising that working capital tied up in stock can sometimes represent essential operational protection.

Effective inventory management also requires organisations to look beyond headline stock values. Safety stock, reorder points, segmentation, stock turn, forecast accuracy, service levels and supplier risk each reveal different aspects of performance. Public and private-sector experience demonstrates that no single measure provides a complete answer. Sustainable performance depends upon understanding how these measures interact and ensuring that financial efficiency is not achieved at the expense of availability, resilience or customer service.

Managing product and service demand through inventory is therefore fundamentally an exercise in optimisation. The strongest organisations treat stock neither as an unavoidable burden nor as insurance to be accumulated without discipline, but as a strategic resource whose value depends upon how intelligently it is controlled. By aligning inventory with demand, risk, service expectations, and financial capacity, organisations can free up working capital while preserving the responsiveness and resilience required in an increasingly unpredictable operating environment.

Aligning Order Fulfilment with Customer Demand

Order fulfilment isn't just a process; it's vital to meeting customer expectations in the United Kingdom (UK) marketplace. It ensures products and services reach end users in the required quantities, at the right time and place. This availability directly shapes customer satisfaction and retention, fostering brand loyalty and repeat business. In a competitive landscape, meeting demand promptly while maintaining cost efficiency is central to any well-managed supply chain.

Achieving this requires close coordination between production, distribution and retail channels. By integrating these functions, organisations ensure products and services are accessible where and when customers need them. This approach minimises delays, reduces transport inefficiencies and supports consistent service standards. In the UK, where regional demand can vary significantly between nations and regions, aligning inventory with customer expectations remains critical to sustaining market competitiveness across diverse local markets.

Focusing on order fulfilment enables organisations to streamline their supply chain and logistics systems. This streamlining not only improves customer service but also enhances operational efficiency by reducing unnecessary handling and storage costs. In an economy where lead times can define competitive advantage, efficient order fulfilment offers a tangible way to sustain market presence, protect margin and support long-term profitability across product and service lines alike.

Continuous flow manufacturing and long production runs can optimise capacity and reduce unit production costs. However, these methods often increase finished-goods inventory. Balancing the benefits of economies of scale against the costs of excess inventory requires careful planning. Manufacturers serving the UK market must therefore adopt approaches that align manufacturing efficiency with market demand, avoiding overproduction and tying up working capital in stock that may not sell.

Inventory Management Approaches in UK Operations

Strategic planning of raw materials, components and subassemblies throughout the production cycle ensures they are supplied precisely when required. This proactive approach helps reduce excess inventory while maintaining production flow. By adopting just-in-time principles, manufacturers can minimise holding costs and free up working capital, while safeguarding operational continuity against the disruption that unplanned stockouts on a live production line can quickly cause, particularly where changeover times between products are tight.

Semi-continuous manufacturing processes reduce lead times and lower finished-goods inventory levels. Nonetheless, they may result in higher unit production costs and larger stocks of raw materials and subassemblies. This occurs because flexibility must be maintained to switch rapidly between product types, a necessity in markets where customer requirements and specifications can shift quickly between one production run and the next, sometimes with very little warning.

Batch manufacturing suits make-to-order scenarios. It enables high service levels while keeping lead times short. Although unit costs tend to be higher, the approach minimises finished-goods inventory because products are dispatched soon after completion. Manufacturers serving niche markets or bespoke product lines often favour this method, as it supports responsiveness without overcommitting working capital and warehouse space to stockholding that may ultimately prove unnecessary once the order is fulfilled.

Maintaining an ample supply of raw materials, parts and subassemblies supports flexibility in responding to varied orders. In make-to-order contexts, the ability to adapt quickly to changes in customer requirements is paramount. While this readiness increases storage and procurement costs, it ensures organisations can meet diverse market needs without significant

delays, safeguarding customer satisfaction, contractual service levels, and brand reputation over the longer term.

Nissan's Sunderland plant, the UK's largest car factory with a theoretical capacity of around 600,000 vehicles a year, illustrates strategic material planning in practice. Its operations rely heavily on just-in-time and just-in-sequence delivery, with several suppliers manufacturing on site; the transmission specialist JATCO invested £48.7 million in a nearby facility supplying electric drive units sequenced to the line. Co-locating suppliers this closely reduces buffer stock while preserving the responsiveness batch methods are designed to protect.

Responding to Consumer Demand in a Diverse Marketplace

Retailers increasingly face the challenge of aligning output with rapidly shifting consumer expectations. While innovation remains important, market direction is now often dictated by end-user demand rather than by an organisation's original design intent. As such, staying competitive now requires the ability to interpret and respond promptly to consumer signals, wherever in the country or across whichever channel, physical or digital, those signals first emerge.

Historically, innovation alone enabled trading entities to lead markets; however, in the current consumer-driven environment, adaptability is a far greater determinant of commercial success. Office for National Statistics (ONS) figures show that 28.3% of retail sales in Great Britain were made online in July 2026, up from a pre-pandemic baseline of 19.2% in 2019, averaging roughly £2.8 billion of online spending every single week of the year.

The complexity of extended manufacturing and distribution networks compounds this challenge. For organisations operating across multiple regions or product categories, aligning the flow of goods and services with diverse market preferences requires detailed demand forecasting and agile supply chain management. This is particularly true across the UK, where regional tastes, purchasing behaviours, and delivery expectations can vary considerably between urban and rural markets.

Failing to align manufacturing, distribution and inventory resources with consumer expectations can lead to operational inefficiencies and a steady loss of competitiveness. By shifting deliberately from an innovation-centric model to a demand-responsive approach, and by treating the online channel as core infrastructure rather than merely a supplement to physical stores, organisations can better position themselves to meet contemporary market requirements and secure sustainable, genuinely profitable growth.

Managing Demand Variability Through Safety Stock

Demand forecasts inevitably contain error because customer behaviour, promotions, weather, economic conditions and competitor activity rarely develop exactly as expected. Safety stock provides a controlled buffer above normal cycle stock, protecting service when actual demand exceeds forecast or replenishment arrives later than planned. The objective is not simply to maximise stock availability, but to hold enough additional inventory to absorb uncertainty without unnecessarily increasing working capital, storage, insurance, obsolescence and handling costs.

Reorder points convert that principle into an operational trigger. They are normally set by combining expected demand during replenishment lead time with an allowance for safety stock, while more sophisticated models incorporate demand variability, lead-time variability and the required service level. Raising the target service level usually requires more buffer inventory, so managers must judge whether the margin justifies the incremental cost of avoiding another stockout, the customer impact, and the criticality involved.

Public-sector practice demonstrates how deliberately designed buffers can support resilience. Department of Health and Social Care guidance published in August 2026 states that suppliers of medicines used in hospitals in England must maintain at least eight weeks of stock at secondary-care demand levels, as a condition of National Health Service (NHS) England

medicines supply frameworks. NHS Supply Chain usually holds around four weeks of medical products through its stocked delivery channel across England and Wales.

A practical example arose when NHS Supply Chain's largest hand-hygiene framework supplier entered administration in April 2024. The supplier held a 44% market share, while NHS Supply Chain had only eight to ten weeks of stock. Around 300 customers used the products, with a typical trust operating approximately 50,000 proprietary dispensers. Replacing them nationally was estimated to require six to nine months, demonstrating how buffer inventory can buy critical time during supplier failure.

Excess inventory carries an equally real financial penalty. Tesco reported inventories of £2.840 billion at 28 February 2026, alongside £1.503 billion of inventory losses and provisions recognised as an expense during the year, illustrating the scale of stock exposure in major retailing. In the public sector, government figures show excess pandemic personal protective equipment storage cost £481.4 million in 2020/21, falling to £123.7 million by 2023/24 as surplus holdings were reduced.

Enhancing Sales Order Fulfilment Efficiency

Efficient order fulfilment depends on systems that require sales order entry only once, automating all subsequent processes from raw material procurement through to finished goods delivery. This automation reduces human error and speeds processing times considerably, while providing consistent, reliable data across the entire supply chain and improving both operational efficiency and service delivery for the customer waiting patiently at the end of the chain.

Integration between internal systems and external trading partners has transformed supply chains across the UK. Real-time data exchange improves forecasting accuracy, supports quicker decision-making and enables a genuinely proactive approach to customer service. This level of visibility is essential to meet modern delivery expectations, especially in e-commerce and direct-to-consumer channels, where customers now routinely track an order in real time from despatch to their front doorstep.

Automation shows what is achievable at scale. Ocado's newest automated customer fulfilment centres (CFCs) pick more than 200 items per labour hour, compared with roughly 150 at its original Hatfield site; Hatfield closed in 2023, with 2,300 roles affected, as volumes transferred to a newly built automated centre in Luton. The comparison illustrates how fulfilment infrastructure, not just stock policy, determines how quickly and cheaply orders reach customers.

The growth of same-day delivery expectations, set by market leaders including Amazon and Argos, has fundamentally redefined service benchmarks across UK retail. UK retailers are under increasing pressure to match these standards, requiring investment in last-mile logistics, warehouse automation, and predictive analytics. Organisations able to optimise both cost and quality in fulfilment can strengthen their competitive position relative to slower-moving rivals in the same category.

Aligning Supply with Demand Through Production and Distribution Planning

Production scheduling in manufacturing typically begins with a bill of materials (BOM) detailing every required raw material, component and subassembly. Material requirements planning (MRP) then works backwards from the end product to determine procurement or production needs for each element, ensuring timely availability of every component while avoiding the additional cost, storage burden and working-capital impact of overstocking materials further up the supply chain than operational requirements justify.

Complex products frequently involve multiple BOM tiers, each requiring careful coordination between engineering, procurement and production teams. Parts and materials must flow in and be synchronised precisely to support assembly schedules. In sectors where supply chain disruption can be especially costly, such as automotive and aerospace manufacturing, precise

scheduling mitigates the risk of production delays and the excess inventory that rushed contingency ordering can otherwise create across interconnected supply networks.

Distribution requirements planning (DRP) applies similar principles to finished goods, mapping product movement from manufacturing facilities through to wholesalers, distributors and retailers. This ensures adequate stock is held at each stage to meet demand without incurring excessive storage costs. In fast-moving consumer goods (FMCG), where shelf life, promotional cycles and demand patterns can change quickly, DRP accuracy directly influences product availability, market share, stockholding efficiency and profit margin over time.

Poorly executed planning systems can cause the very imbalance they were designed to prevent. Cadbury Schweppes' 2005 introduction of a new SAP-based enterprise resource planning (ERP) system, part of a wider five-year programme integrating supply chain, procurement, manufacturing and distribution, produced a significant build-up of unwanted confectionery stock. The company attributed £12 million of a subsequent £32 million quarterly profit shortfall directly to problems associated with the new software implementation.

By carefully integrating BOM, MRP and DRP processes, and thoroughly testing planning systems before any large-scale rollout, organisations can build a genuinely cohesive supply chain strategy that efficiently controls inbound and outbound flows. This integration supports operational resilience, enabling businesses to respond effectively to demand shifts or supply disruptions while reducing the risk of excess stock, shortages and planning distortions that a poorly configured system can otherwise create across the wider supply network.

Regulating Material Flow and Information Systems

Maintaining effective control over material flows requires close, continuous oversight of the information systems that support them. Any delay or failure in supplier delivery can cascade, halting production and disrupting customer service. In extreme cases, these failures can bring an entire supply chain to a complete standstill within days, highlighting the critical need for proactive monitoring across every tier of the network, not only the first or most visible.

Robust supply chain information management mitigates these risks by providing early warnings of potential disruptions well before they escalate. Supply chain resilience has become a growing focus of both corporate strategy and government policy in recent years, and such systems now form an essential component of operational risk management for organisations of every size, from small specialist suppliers to large multi-site manufacturers with international operations.

Integration between suppliers, manufacturers and customers has substantially improved communication accuracy and speed across the supply chain. Customer service teams can now access real-time order status updates, enabling them to manage expectations and respond promptly to queries as they arise. This transparency strengthens commercial relationships and builds the customer trust that repeat business, particularly in business-to-business supply relationships, ultimately depends on over time.

Procurement, logistics and supply chain professionals also benefit from enhanced visibility across the whole network, not merely their own part of it. By identifying potential bottlenecks before they occur, they can take corrective action, optimise transport scheduling, and reduce downtime. This approach helps organisations maintain service quality and cost efficiency even as their supply chains become longer, more international and considerably more complex to coordinate.

Balancing Lean Inventory with Supply Chain Resilience

Lean inventory and Just-in-Time (JIT) replenishment can reduce holding costs, obsolescence and working capital, but they also leave less capacity to absorb disruption. Between 2018 and 2020, 75% of UK manufacturing trade depended on simultaneous imports and exports, while 30% of businesses in manufacturing, wholesale and retail reported global supply-chain

disruption between February 2021 and February 2022. Resilience therefore requires weighing efficiency against the consequences of supply interruptions.

Supplier concentration can be as important as stock quantity. The Department for Business and Trade (DBT) assesses vulnerabilities where imports depend on a limited supply base and identifies diversification as a resilience measure. In telecommunications, the UK committed £250 million to develop open and interoperable radio access networks, alongside a £70 million Future Telecoms research and innovation fund, partly to address concentration risks in critical network-equipment supply chains and encourage alternative sources.

Healthcare demonstrates why strategic inventory, supplier diversity and lead-time protection can outweigh minimal stock. More than 14,000 medicines are licensed in the UK, and NHS England frameworks require suppliers of relevant secondary-care medicines to hold eight weeks of buffer stock. The need is practical: Red Sea disruption forced vessels around the Cape of Good Hope, adding more than 12 days to shipping times cited in medicine-supply notifications during 2024.

Jaguar Land Rover (JLR) provides a private-sector illustration of how a scarce component can interrupt far more valuable output. During the first quarter of 2021/22, semiconductor constraints left wholesales approximately 30,000 vehicles below plan. JLR recorded a £110 million pre-tax loss and £996 million free-cash outflow, including a £922 million adverse working-capital movement associated with lower production. Critical components therefore warrant resilience measured against operational consequence, not merely purchase price.

Resilience nevertheless has a carrying cost, and excessive precaution can become economically destructive. The Department of Health and Social Care (DHSC) accumulated exceptionally large personal protective equipment (PPE) inventories during the pandemic. By 2021/22, DHSC had reported £14.9 billion of write-downs across PPE and other pandemic items over two financial years, while estimated future storage and disposal costs for excess and unusable PPE were £319 million; monthly storage expenditure was about £24 million.

Managing Product Lifecycles in the UK Market

Effective product lifecycle management (PLM) is crucial to keeping goods commercially viable throughout their entire market tenure. This process involves strategic planning from the introduction phase through growth, maturity and eventual decline. Organisations must forecast demand accurately and align production, marketing and distribution strategies accordingly at each stage. By anticipating each phase, businesses can optimise manufacturing investment and avoid excessive stockholding during periods of reduced demand.

During the introduction phase, market research and targeted promotion are vital to building awareness. Inventory levels must be carefully balanced at this stage to meet early demand without overproducing, since excess stock risks obsolescence if the product fails to gain traction. Retailers and manufacturers active in the UK market often use phased production increases, allocating resources based on proven uptake rather than speculative early forecasts.

As a product moves into the growth phase, demand generally increases, requiring greater manufacturing capacity and more extensive distribution across the network. Strategic inventory placement across regional warehouses can reduce delivery times and support customer satisfaction. In the maturity and decline phases that follow, businesses must carefully manage reductions in production volumes; liquidation sales, promotional bundling or repurposing components can help recover value from unsold goods.

Understanding and Applying Stock Turn Ratios

The stock turn ratio measures how often inventory is sold and replaced within a given period, usually a year. It reflects inventory management efficiency and an organisation's ability to convert stock into sales. A higher stock turn ratio often indicates strong demand, effective procurement and minimal capital tied up in goods awaiting sale. In contrast, a persistently low

ratio can signal deeper problems with buying or forecasting.

Calculating the stock turn ratio involves dividing the cost of goods sold by the average stock value held during that same period. For example, if a retailer sells £1 million worth of goods in a year and maintains an average stock value of £250,000, the resulting stock turn ratio would be four. This means the business sells and fully replenishes its stock roughly four times every year.

A higher stock turn ratio generally benefits an organisation by reducing the need for extensive storage facilities, lowering holding costs and freeing working capital for other, more productive operational uses. However, excessively high ratios may indicate that stock levels are set too low, risking stockouts and lost sales at the worst possible moment. Businesses must therefore balance efficiency against the real risk of disappointing customers at the point of purchase.

Conversely, a low stock turn ratio suggests that goods are moving slowly, which can increase storage costs and tie up capital unnecessarily. In industries where products have a limited shelf life, such as food and pharmaceuticals, low turnover can result in waste and financial loss. By monitoring and adjusting stock levels against actual demand, businesses can maintain turnover rates appropriate to their sector and margin structure.

Segmenting Inventory According to Value and Demand

Inventory segmentation recognises that not every Stock Keeping Unit (SKU) deserves the same control policy. ABC analysis usually ranks items by annual consumption value, directing the greatest attention towards economically important products. The Chartered Institute of Procurement and Supply notes a typical pattern in which A items represent around 10% of inventory lines but 70% of annual value. In comparison, C items can represent 70% of lines but only 10% of value.

Value alone, however, does not reveal how predictable demand will be. XYZ analysis adds a second dimension by classifying items according to demand volatility: X items have relatively stable consumption, Y items show greater variation or seasonality, and Z items are highly erratic. Combining ABC and XYZ creates nine segments, allowing an AX item to receive tightly controlled replenishment. In contrast, a low-value, unpredictable CZ item may justify simpler stocking or even non-stock treatment.

Segmentation should also reflect operational criticality, not financial value alone. NHS Supply Chain is piloting product segmentation by clinical risk so highly critical products receive stronger stock policies, supply-chain design and supplier-management controls. Its Electronic Demand Capture Gold (eDC Gold) platform manages more than £50 million of high-value and critical-care inventory; Airedale NHS Foundation Trust reported a £163,000 stock reduction, while Mid Cheshire Hospitals NHS Foundation Trust reported 74% less clinical time managing stock.

Private-sector stock policies similarly benefit from distinguishing velocity and value. Marks & Spencer has used Radio Frequency Identification (RFID) to improve stock accuracy and availability, while redesigning Clothing & Home flows to hold more stock upstream and reduce repeated handling. Its returns programme cut the average time for returned merchandise to reach saleable stock from 20 days to under 10 days, demonstrating how differentiated stock-flow policies can accelerate availability.

The objective is differentiated control, not universal availability across every line held. Fast-moving or high-value SKUs may justify continuous review, frequent replenishment and higher service targets; medium-moving items may suit periodic review, while slow-moving or inexpensive lines can use two-bin or supplier-direct methods instead. Criticality can override value and velocity when failure threatens patient care, production, or statutory services, and classifications should be reviewed as demand patterns change.

Reducing Capital Tied Up in Inventory

Capital tied up in inventory is money that cannot be used for other business purposes while it sits on the shelf. PricewaterhouseCoopers' (PwC) Working Capital Study 25/26 found that UK net working capital days have risen by 48% since 2015, a sharper increase than in the European Union or North America, driven substantially by a rise in days inventory outstanding (DIO) rather than by slower collection from customers.

That same PwC analysis, covering more than 17,000 listed companies worldwide, estimates that €1.84 trillion of excess working capital could be released globally through better management practices alone. UK-listed cash-intensive sectors averaged 62.8 days of inventory outstanding in 2024, against 90.2 days across the European Union, showing genuine relative discipline. Reversing the underlying UK trend nevertheless depends on aligning procurement with real demand rather than defensive over-ordering.

One strategy is to use demand forecasting tools to determine precise order quantities and replenishment cycles. This ensures stock is held only in amounts required to meet near-term sales expectations. PwC's researchers describe a recent drift from 'just in time' towards just in case' and even 'just because' stocking, warning that precautionary buffers built without discipline quietly erode the liquidity they are meant to protect.

Supplier collaboration also significantly reduces tied-up capital over time. By establishing flexible supply agreements, organisations can receive smaller, more frequent deliveries instead of holding significant quantities in their own storage. Implementing automated inventory management systems further enables real-time tracking of stock levels across every site, highlighting slow-moving items that can be discounted or reallocated to faster-selling channels before they become a genuine drag on cash flow.

Minimising Inventory Waste

Inventory waste occurs when products become unsellable because of damage, expiry or obsolescence before reaching a paying customer. Strict regulatory standards in sectors such as food, pharmaceuticals and consumer electronics make waste prevention both an operational and compliance priority across the UK. Reducing waste improves profitability directly, while also supporting environmental sustainability commitments and helping organisations demonstrate more responsible resource use through the performance measures and disclosures they increasingly report each year publicly.

Accurate demand forecasting reduces waste by matching stock levels more closely to actual sales patterns rather than optimistic projections. When determining order quantities, organisations should account for seasonal variation, market trends and planned promotional activity well in advance. Over-ordering leads directly to unsold stock and eventual write-off. At the same time, under-ordering creates lost revenue, empty shelves and dissatisfied customers who may switch permanently to competitors that can meet demand more reliably.

Proper storage and handling also reduce waste considerably across warehouse and distribution operations. Implementing first-in, first-out (FIFO) stock rotation ensures older products are issued or sold before newer arrivals, reducing the risk of expiry or technological obsolescence. This discipline is particularly important for perishable goods and rapidly advancing product categories, such as consumer electronics, where a new model can make existing stock materially less attractive within a single trading season.

Waste reduction also affects financial reporting directly, not just on-the-ground operational performance. UK food and drink manufacturers, retailers and hospitality businesses generate several million tonnes of food waste annually, according to the Waste and Resources Action Programme (WRAP), with a proportion arising from overstocking, poor date-code management and forecasting errors. Better inventory discipline can therefore deliver environmental benefits alongside more immediate commercial gains from lower write-offs and disposal costs.

Organisations can further reduce waste by using alternative sales channels specifically for

slow-moving or surplus products. Discount outlets, export markets and online clearance platforms can recover value from stock that might otherwise be written off entirely. Donating unsellable but safe goods to registered charities may also support corporate social responsibility objectives, while reducing the disposal costs and environmental impacts associated with landfill, incineration or other end-of-life treatment routes.

Decreasing Sales Order Lead Times

Sales order lead time refers to the period between a customer placing an order and receiving the product or service. In competitive UK retail and manufacturing markets, reducing this interval can strengthen customer satisfaction and long-term loyalty. Shorter lead times also help organisations respond quickly to sudden demand changes, converting time-sensitive sales opportunities that slower competitors may otherwise capture, while reducing the commercial risk associated with customers abandoning delayed purchases.

Streamlining internal processes remains central to reducing lead times across fulfilment operations. Automation in order processing, warehouse picking and packaging minimises delays and removes manual bottlenecks. Screwfix illustrates what disciplined process design can achieve: the Kingfisher-owned retailer offers one-minute click-and-collect across its near-900 UK stores, alongside a Sprint service delivering to home or site in 60 minutes or less from more than 325 locations nationwide.

Strategic inventory positioning, such as storing popular products in regional fulfilment centres, further reduces transportation times and supports faster customer response. For e-commerce businesses, this can mean the difference between same-day delivery and a several-day wait, directly influencing satisfaction and retention. Parcel volumes handled across the UK reached 4.2 billion items in 2024-25, up 7.1% on the previous year, according to the Office of Communications (Ofcom).

Collaboration with logistics partners can also reduce lead times without requiring major capital investment in additional infrastructure. By working with carriers offering flexible, reliable services, organisations can improve delivery accuracy and speed without expanding their own fleet or warehouse footprint. Real-time tracking and proactive communication keep customers informed throughout the journey, helping preserve trust and satisfaction even when weather, congestion or other circumstances outside the organisation's control delay a delivery.

Increasing Stock Turn Ratios for Faster Sales Cycles

Raising stock turn ratios means selling goods more quickly relative to the stock held at any one time. This shortens the period between purchasing inventory and generating revenue, thereby improving overall cash flow. The approach is particularly valuable in industries with short product life cycles, including fashion and consumer electronics, where holding stock for too long can force substantial markdowns, reduce margins and increase the risk of obsolescence.

Achieving higher turnover requires accurate forecasting, responsive replenishment and carefully targeted marketing across every sales channel. Sales data analytics can identify high-demand products, enabling organisations to concentrate capital on faster-moving lines rather than spreading investment too thinly. Promotions and time-limited offers can also accelerate sales of slower-moving inventory and lift overall turnover, provided these tactics are managed carefully enough to avoid unnecessary erosion of gross margin and brand positioning.

Higher stock turn ratios can reduce storage costs, minimise obsolescence risk and release working capital that would otherwise remain tied up on the balance sheet. However, they must be achieved without compromising product or service availability at the point of sale. Organisations that manage this balance effectively, rather than pursuing turnover as an end in itself, can strengthen operational agility, improve cash conversion and support more sustainable medium-term financial performance.

Measuring Inventory Performance and Service Levels

Assess inventory performance through a balanced set of Key Performance Indicators (KPIs), because efficiency and service measures can move in opposite directions. Stock turn indicates how quickly inventory is converted into sales, while DIO expresses the same working-capital exposure in days. Neither reveals whether customer demand was actually satisfied. Order fill rate, stockout frequency and On-Time-In-Full (OTIF) delivery therefore provide essential counterweights to purely financial measures.

Service measures expose consequences that stock-turn ratios can conceal. NHS Supply Chain aims to maintain at least a 98% service level on stocked products. Its completed Blue Diamond programme transferred more than 25,000 products to stocked or eDirect routes, raising the average delivered service level for products moved into stock from 93% to 98% and reducing their lead time to 72 hours. Availability therefore needs to be measured alongside inventory efficiency.

Financial measures remain equally important because stock consumes cash before revenue is realised. Tesco reported £2.840 billion of inventory at 28 February 2026, compared with £2.768 billion a year earlier, while £53.318 billion of inventory cost was recognised during the year. Using average reported inventory against that cost implies approximately 19 days of inventory. DIO, carrying cost and stock turn therefore reveal whether service is being purchased with excessive working capital.

Obsolete and slow-moving stock, write-offs and forecast accuracy complete the picture by testing whether inventory aligns with actual demand. Marks & Spencer's 2025/26 cyber incident disrupted stock flow and restricted availability, while excess seasonal Fashion, Home & Beauty stock subsequently required markdown and clearance; sales in that division fell 7.7%. The example shows how availability failure and surplus inventory can occur together when forecasting and stock-flow controls are impaired.

Management should therefore use a dashboard rather than rely on a single headline ratio. Forecast accuracy can explain emerging stockouts or surpluses; fill rate and OTIF show customer outcomes; DIO, stock turn and carrying cost reveal capital efficiency; and ageing data identifies obsolescence exposure. For public contracts exceeding £5 million, the Procurement Act 2023 generally requires at least three KPIs where performance can appropriately be assessed, reinforcing the case for several complementary measures.

Summary - Optimising Inventory for Resilience and Performance

Effective inventory strategy now extends far beyond the traditional focus on product lifecycles, stock turn ratios and headline inventory levels. Safety stock, service levels, supplier concentration and inventory segmentation sit alongside days inventory outstanding, order fill rate, forecast accuracy and balanced key performance indicators as essential measures of operational effectiveness. Together, they provide a broader view of how inventory supports availability, protects service continuity and influences financial performance across increasingly complex supply chains.

The central principle is that inventory should not simply be minimised; it should be optimised against demand uncertainty, service requirements, financial exposure and supply-chain risk. Tesco's stock exposure, Jaguar Land Rover's semiconductor-driven losses, Department of Health and Social Care pandemic write-downs and National Health Service Supply Chain buffer-stock disciplines each demonstrate the same underlying reality: holding too little inventory and holding too much can both create substantial and measurable financial and operational consequences.

Reducing sales order lead times and raising stock turn ratios remain valuable management levers, but only when pursued alongside resilience, not instead of it. Combining efficient logistics, accurate forecasting and disciplined inventory segmentation helps ensure products and services remain available when and where required, without creating unnecessary

working-capital exposure. PricewaterhouseCoopers' working-capital research reinforces the need to balance liquidity, service performance and resilience rather than allowing precautionary stockholding to become structurally excessive.

Integrating lifecycle management, inventory control and sales process optimisation enables organisations operating across the UK to compete with greater agility, efficiency and resilience. Those adopting data-driven, evidence-led strategies can treat inventory as a dynamic balance to actively manage rather than merely a cost to reduce. Sustained performance depends on continuously aligning stockholding decisions with changing demand, supplier risk, service expectations and financial capacity across both public and private-sector operations.

Additional articles are available at [Procurement and Supply Chain Management Made Simple](#). This site looks at procurement and supply chain management issues to assist organisations and people in increasing the quality, efficiency, and effectiveness of their product and service supply to the customers' delight. © Procurement and Supply Chain Management Made Simple. All rights reserved.

Further Reading

The following sources, publications and datasets informed the research, statistics and case studies set out above.

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