

INVENTORY INSIGHTS

Carrying Excess Inventory and its Effect on Cash Flow

Did You Know:

- Inventory costs generally represent 25-30% of the inventory value on hand
- Inventory is often the largest asset of a company
- As interest rates rise, carrying costs will increase too

What are Inventory Carrying Costs?

Inventory Carrying Costs are the total costs of purchasing, housing, handling and accounting for the depreciation of inventory. They are comprised of Capital Costs, Non-Capital Costs, and Inventory Risk Costs. Excess inventory takes up space and cash flow that could be used for profitable inventory and other investments.

Strategies to Reduce Carrying Costs Include:

- Inventory reduction
- Drop shipping from vendors
- Using Just in Time replenishment
- Reducing safety stock
- Using forecasting software, like the Sales Analysis and Forecasting Tool© from [basic-code]TM.

How Much is Your Inventory Costing You?

To estimate your company's Inventory Carrying Costs, use our interactive calculator, located at <https://basic-code.com/demo>. Then, contact [basic-code]TM to learn how we can help you optimize your inventory.

"The utility that [basic-code]TM provides as a function of managing inventory and sales planning is incredible. Increased profit from stronger inventory management as well as better insights to share with vendors who support my business"

-Joe H., Merchandise Planner

