



Cycle Counting 101

A Retailer's Guide To Partial Stocktakes And Inventory Accuracy



Table of contents.

01	Determine when and how you're going to count products.....	2
02	Organise your physical space.....	4
03	Complete any pending inventory transactions or tasks	6
04	Start counting.....	7
05	After counting: review, adjust, and take action	8
06	Final words	9



Introduction.

Retailers looking to regularly count items without closing down their stores can implement cycle counting. This is the process of partially counting merchandise on a continuous basis so you can stay on top of stock levels without having to interrupt normal store operations.

Cycle counting entails counting just certain portions of inventory on a daily or weekly basis, eliminating the need for full counts.

In this handout, we'll talk about how you can effectively implement cycle counting in your store. Check out our steps and tips:

01

Determine when and how you're going to count products.

Cycle counting involves taking count of small portions of inventory at a time. The first thing to do? Plan out which items to count in a given period. Here are two ways to do this:

Use the ABC method.

- Divide your products based on value, then count the most valuable items more frequently.
- Take the top 20% of your items in terms of cost of goods sold, and put them in Group A. Then, put the next 60% in Group B. The remaining 20% will be Group C.
- Next, decide on how often you'll count the items in the groups. Products in Group A should be the most frequently counted, followed by B, then C.
- Cycle-counting frequency will depend on your inventory and store, but you'll want to complete multiple cycle counts per year to maintain inventory accuracy.
- Here's a quick table of what a retailer might come up with when grouping items using the ABC method:

Group	Percentage of inventory in terms of COGS	Number of times
A	Top 20%	6
B	Next 60%	3
C	Bottom 20%	2

Be arbitrary (but systematic).

- If you think the ABC method isn't right for your store, you can choose to be more arbitrary with how you cycle count.
- You can portion and count items according to where they're located on your sales floor or in your stockroom. Create a map indicating where each section or shelf is located, then develop a system in which you'll count items on shelves 1-3 on one day, then move on to 4-6 the next, and so on.
- You can also cycle count according to department, supplier, type, or brand. It's really up to you and what makes the most sense for your business.

Regardless of which method you choose, the key is to stay systematic and organized. Figure out a process that works for you - then document it, put it on your calendar, and implement. Refine if necessary.

Tip

Using Vend? Check out our new [Inventory Counts](#) capabilities that let you implement custom stocktakes by brand, supplier, type, tag, or SKU. You'll also be able to schedule counts in advance and have multiple users perform partial counts simultaneously, from different devices.

02

Organize your physical space.

You may have a great system on paper — but if your products are all over the place, you won't be able to implement the task successfully.

- Take some time to organize your store.
- Make it easy for yourself (or your staff) to physically see and count the merchandise. This means ensuring that items are on the right shelves or in the right containers.
- Take a look around your store or back room to ensure that products aren't out of place and that important areas, boxes, or fixtures are properly labeled.



03

Complete any pending inventory transactions or tasks.

In an [insightful article on cycle counting](#), Ted Hurlbut of Hurlbut & Associates wrote that retailers must “**close out any open inventory transactions**” prior to cycle counting. According to him:

All restocking from understock, overstock, or backstock must be completed before counting begins. All received purchase orders and inbound transfers need to be received in the system and physically put away. All completed customer orders need to be closed and invoiced.

04

Start counting.

Once you have your physical products and paperwork (or digital records) in order, start physically counting items according to the system you’ve determined in the previous steps.

- When counting items, stay focused on the task. Double check your numbers, and stick to your system.
- If possible, have two people count the same merchandise independently, then have them compare counts to ensure accuracy.

05

After counting: review, adjust, and take action.

Once the counting's over: review your records, and determine your next course of action.

- If you notice any huge discrepancies, dig deeper to find out why your numbers aren't matching up.
- Do you need to be more organized? Should you be worried about theft? The only way to answer these questions is to do your stocktakes regularly, look at the numbers, and investigate accordingly.

Tip

If you're using Vend, you can stay on top of your inventory data using our [Reporting Capabilities](#). Generate detailed reports on on-hand inventory, low stock, and product performance so you know exactly what's going on with your merchandise.

06

Final words.

While the main purpose of cycle counting is to maintain inventory accuracy, a lot of other benefits can come from it. For one, it can help you run your store more efficiently. Since your staff is aware that you're doing regular stocktakes, they'll be more likely to stay on top of admin work, put items in their proper places, and be more organized overall. Cycle counting can also help reduce theft.

As Burnson puts it, "if employees know that the owner or manager does regular cycle counts and audits, they might be less likely to steal."

To leave you with one more thought: the key to cycle-counting success is to make it a habit. The benefits we talked about — inventory accuracy, store efficiency, and theft prevention — will only come if you cycle count regularly. Yes, the task can be repetitive, but stick to it anyway. Trust us: the time and money it can save you are well worth it.

About Vend

Vend is a cloud-based retail software platform that enables retailers to accept payments, manage their inventories, reward customer loyalty and garner insights into their business in real time. Vend is simple to set up, works with a wide range of point of sale devices and operates on any web-capable device with a browser.

Whether it's simplifying the inventory process, cutting 30 minutes from their end-of-day bookkeeping or making it simpler for them to sell their products on multiple channels, Vend's mission is to make retailers' lives easier.

With Vend, retailers are able to focus less on transaction and inventory concerns and more on creating that relationship with their customers. Vend aims to empower merchants by putting the right data and tools into retailers' hands and enabling them to do things themselves – and succeed.



Run the world's best retail.

www.vendhq.com