Inventory Industry Guides

Purpose of This Guide

The following guide offers three examples of inventory management in practice. These scenarios highlight how three sample businesses track their raw materials, works-in-progress, finished goods, and maintenance, repair, and operations (MRO) inventories. It also shows different strategies for scheduling purchases and showcases some tools that support making sales and keeping track of supplies. These examples also showcase some point-of-sale (POS) tools that businesses use to track their supplies and facilitate sales.

Beauty and Personal Care

Meet Babette:

Babette is an independent hair stylist located in Queens. She works from a home studio space where she also stores her supplies.

Babette has three basic kinds of inventory: fixtures and appliances, hair styling supplies, and retail items. She manages each of them slightly differently.

Fixtures and appliances

Part of Babette's MRO inventory includes permanent or long-lasting items such as clippers, scissors, combs, chairs, brooms and mops, and other furniture. Babette does not replace these items very often, but when she does, she records the expense in her spreadsheet. In doing so, she can deduct this as a business expense later.

Hair styling supplies

These items would also be considered MRO inventory, but are replaced regularly. They include hair extensions and wigs, dyes, shampoos, conditioners, and gels. Babette checks the level of these supplies manually every second Friday. She then places an order with her supplier every two weeks, because her supplier offers a regular purchasing discount.

	However, Babette's business has grown, and keeping track of inventory this way is a lot of work. She recently considered using some kind of software so she can spend more time with her customers and less time on administrative tasks.
	Retail items Babette's inventory of finished goods includes a few retail items that she sells to her customers, including shampoos, conditioners, skin serums, and soaps. She accepts payments by cash, Venmo, or Cash App; she logs each sale in her spreadsheet, including the date, service rendered, materials used, total amount, and total sales tax. She always makes sure to transfer the sales tax collected to her separate bank account at the end of the week. *After talking with an accountant, Babette is preparing to set up a point-of-sale (POS) system to make this easier for her.*

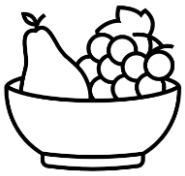
In-Person and Online Retail Businesses

	Meet Adam Adam owns a small bicycle sales and repair shop in Brooklyn. He sells new and used bicycles, as well as retail gear, clothing, and tools. Adam's inventory includes raw materials, works-in-progress, finished goods, and MRO. He runs his business both online and in person at his shop and uses an integrated point-of-sale (POS) system to manage his active and work-in-progress inventories.
	Repair shop supplies Many of Adam's supplies are raw materials, such as oil and lubricants, degreasers, chains, tires, and inner tubes. His MRO inventory includes all of his bike tools and shop infrastructure. Adam's POS system helps him track the different kinds of inventory levels. When Adam uses an item from his inventory, he scans the barcode, and his POS system moves it from raw materials to work-in-progress. His POS

	system automatically places new orders with his suppliers when his supplies drop beneath a certain threshold. This system prevents bottlenecks and delays in his repair calendar due to stockouts of needed materials.
	Retail sales Adam's POS makes it easy for him to sell finished goods online and in-person at his shop. Adam's stock is available on his shop's website and is also cross-listed through an eCommerce integration on other retail sites and social media, such as Amazon, eBay, Instagram, Facebook and TikTok. When a customer places a delivery order, Adam's POS generates a shipping label and allows him to track the item's delivery status. Whether he makes sales in person or online, his inventory levels are always synced and available on his phone or computer. Additionally, Adam sometimes sells bikes and supplies at pop-up events in the surrounding area, such as in Westchester and New Jersey. His POS allows him to make remote sales and collect sales tax according to the local rate. During tax season, Adam prints out a report from his POS, which his accountant uses for his year-end tax return.

Corner Grocery Store/Bodega

	Meet Jimmie Jimmie owns and runs a small corner grocery store in the Bronx. Jimmie sells cold drinks, frozen food, produce, canned goods, and household supplies. He also prepares sandwiches, smoothies, and coffee at the deli counter. Most of Jimmie's retail items are finished goods, but he holds some raw materials and MRO inventory as well. In order to keep his business running smoothly, Jimmie uses a POS system specifically designed for convenience and grocery stores that allows him to keep track of his inventory levels. Jimmie has two strategies for buying his supplies: one for perishable goods and another for nonperishable goods.

	**Perishable goods** Because perishable foods eventually spoil, Jimmie purchases these items on a regular basis from his suppliers. Jimmie receives a delivery of fresh fruits, vegetables, dairy, and eggs multiple times each week. He always rotates his stock so the older items are towards the front of the shelves. Jimmie's POS system also helps him keep track of trends. During the winter, Jimmie noticed that fewer customers were buying fresh produce. He confirmed this by checking weekly sales in his POS system. He then adjusted his order levels to minimize waste and save money. Before using a POS system, Jimmie had a hard time remembering which items were sales tax eligible and which items were not, but now his POS system keeps track of all of this information for him.
	Nonperishable goods Jimmie uses different suppliers and places orders on a different schedule for nonperishable goods. In addition to checking the levels on his shelves and in his basement storage room, Jimmie can see exactly when inventory levels are approaching the reorder point in his POS system. This has helped him avoid stockouts. Because he tracks all of his orders, Jimmie is able to deduct these purchases as business expenses on his taxes, as well as the monthly fee for his POS system.