

## 10.4: Reducing Inventory Shrinkage

### Learning Objectives

- Explain strategies to reduce inventory shrinkage

A routine check of your wine inventory is showing a discrepancy. Your store takes a full monthly inventory, with periodic audits of the quantities. You had noticed some issues with last month's full inventory, so decided to up your checks this month. What might the reasons be for such a discrepancy? What is inventory shrinkage?

A link to an interactive elements can be found at the bottom of this page.

You can view the [transcript for "What is Shrinkage in Retail?"](#) (opens in new window).

Well, in the case of a wine issue, it could be several things. There might be a bartender pouring more than a standard glass for each serving. This could simply be a training issue. There could also be theft going on, either employee theft or customer theft. This situation may require monitoring, a different way to store your opened wine or could even require terminating an employee. It may also be a counting error. Perhaps wine by the glass is being rung up incorrectly in the cash register. This could cause you to show more of one wine and less of another! This again, may be a training issue, or it might be a sign to clarify how items are entered into the sales system.

A link to an interactive elements can be found at the bottom of this page.

You can view the [transcript for "4 Tips to Reduce Retail Shrinkage"](#) (opens in new window).

Whatever the reason, it is important to get to the bottom of inventory shrinkage related issues. Let's look at another example. You run a small retail clothing store with an online component. Items are sold from your storefront or from your website. The sale is recorded, and removed from inventory. But your count comes back and you are short ten of one of your best selling shirts! So if you are sure, after reviewing sales, recounting the shirts and checking any area that may not have been counted yet, that you are indeed short by ten shirts, what do you do next?

1. Train your employees well, to insure that they know how to receive inventory, stock it, and reduce inventory through your sales system. Proper training can go a long way!
2. Tighten security a bit. If this is a one time problem, secure back stock and only give access to certain employees or install a camera in the area. If this doesn't help, you may need to tighten security a lot!
3. Keep an employee on the sales floor at all times if you think it may be customer theft. Were the shirts in back stock or were they on the floor when they went missing?
4. Have certain employees who accept incoming shipments and verify outgoing shipments.
5. Review purchase orders to insure that the order was indeed placed, and the items were received and entered into inventory.
6. Count and recount!

Reducing shrinkage will help you to net more income! It is important to insure that employees understand the systems and that you have proper systems in place for recording inventory, recording the sale of inventory and managing your inventory.

### LEarn More

- [How to Reduce Inventory Shrinkage](#)
- [4 Ways to Prevent Inventory Shrinkage](#)

### Practice Questions

<https://assessments.lumenlearning.co...sessments/9254>

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