

Best Practices for Physical Inventories

POS | Retail

What is a physical inventory?

An audit of a store's inventory to confirm that what the point of sale says you have on hand is actually there, either on the store floor or in backstock. They help identify things like discrepant transfers, fulfillment errors, theft or products that were never received in or received incorrectly.

While frequency can vary depending on size of your store, seasonality and staffing, performing one full physical inventory (PI)—or count—every six months is generally recommended. Because you'll want to freeze your store's inventory while doing so, schedule PIs after hours or on a day you are closed (remember to communicate any closures to your customers ahead of time!).

Traditionally, PIs were done on paper or spreadsheets, but affordable, mobile technology has made this once dreaded task far more efficient for many retailers.

Necessary Materials

- Mobile, [cloud POS](#) with inventory management
- iPads (one for every member of the PI team is ideal)
- Bluetooth scanners
- A few empty baskets or boxes
- Sanitizer to wipe down hardware in between uses
- Water and snacks

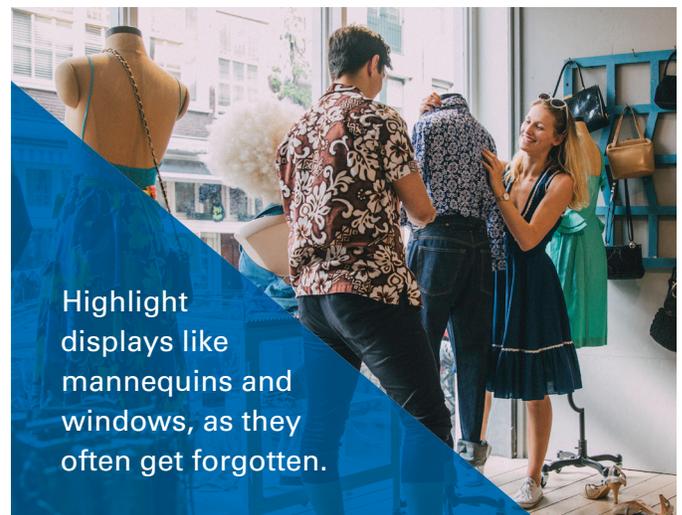
Preparing the Store

Dividing your store into scannable "batches" keeps both the physical space and operations organized.

- Draw a map of your store, including front and back of house.
- Section off manageable areas, including all fixtures: tables, shelves, racks and display cases—the smaller the batches, the higher the accuracy.

In the days leading up to the count, give your store a literal sweep.

- Check for products under racks, in forgotten bins or dressing rooms, behind the cash wrap and every dark corner where something could be hiding.
- Tidy your backstock, making sure apparel is folded and products are in the appropriate packaging.
- Confirm that everything is scannable: Every item must have a barcode, and tags or labels must be attached, legible and undamaged.



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POS Housekeeping

Just as you want a neat store, you want a neat system. Inventory cannot be in limbo during a count, so dedicate time to cleaning it up.

- Clear out on-hold tickets.
- Check on layaways: Is everything still accurate?
- Look at open sales orders: They cannot be in a status that is going to affect your inventory, so either fulfill and close or do not pull until after the count is complete.
- Confirm all Open POs are still open and awaiting shipment.
- Make sure there are no unresolved discrepant transfers or transfers left in transit.

Heartland Retail users: Prior to the start of your PI, check your settings:

- Settings >> Reason Codes >> Inventory Adjustments: Create a "Physical Count" reason.
- Settings >> Roles: "Create physical counts" and "Review discrepancies and accept physical counts" should only be toggled on for whoever is going to fully oversee the PI, not all scanners and participants.

Physical Count Teams

Your team will depend on many factors, including the size and complexity of the store. For a well-prepared location with 10,000-15,000 scannable SKUs, a six-person team with experienced leadership should be able to complete the count in 4-6 hours.

A larger count would require more people (or time), while a smaller location could be covered with less. Defining and communicating roles ahead of time is critical, so leave time for a kickoff meeting.

For the six-person roster above, the roles might look as follows:

- **Team Lead:** Assigns sections to scanners, manages the count on the POS and reviews discrepancies.
- **Specialist Counter:** Identifies, researches and counts non-scanning items.
- **4 Scanners:** Divide this group into pairs; one person scans inventory while the other physically counts the items to confirm it matches the number scanned. Pairs should always work on their own batch, never multiple groups scanning the same.

It may be tempting to say "all hands on deck," but too large of a crew can actually distract and contribute to mistakes.

Especially in the age of COVID-19, consider how many people you can safely fit while maintaining social distancing.

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The Night Before

With customers out of the way, it's time to physically prep the store:

- Block it based on what you mapped into batches. Use painters tape; it's inexpensive and won't damage anything.
- Pull out all tags and place them to the same side.
- Arrange boxes, both on display and in the stockroom, with barcodes facing out.
- Test and charge scanners and tablets.

Finally, run a [Negative On Hand report](#) to give you a heads up of what's going to be discrepant.

Day Of Best Practices

- **Scanning shelved items:** Start scanning with the leftmost item on the top shelf of each section, then proceed to the right. When you reach the rightmost side of the section, move down to the next shelf and start again on the left.

- **Scanning hung apparel:** Slide all items to the left side of the rack. As you scan each item, slide it as far right as possible.
- **Items that won't scan:** No matter how carefully you vet your barcodes, there will always be items that don't cooperate. Provide each team member a basket in which to consolidate these items for review by the Specialist Counter.
- Do not ring in sales during the PI.
- Do not review discrepancies until the count is complete (*Heartland Retail users: These will appear on their own Discrepancies tab; review them after you are "Done Counting" but before you "Accept Count."*)
- Wear comfortable shoes, stay hydrated and fed! Schedule breaks for the latter; greasy pizza hands and merchandise counting do not mix..

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Post-Count

Once your physical inventory is complete, it's time to build a report that will give you a big-picture view of the results: what was adjusted and what needs to be looked into further.

Note: The following reporting features are exclusive to Heartland Retail.

| ITEM > DESCRIPTION | ITEM > DEFAULT COST | BEGINNING INVENTORY > QTY ON HAND | INVENTORY ADJUSTMENTS > NET ADJUSTED QTY | CURRENT INVENTORY > QTY ON HAND | INVENTORY ADJUSTMENTS > NET ADJUSTED COST |
|-------------------------------------|---------------------|-----------------------------------|--|---------------------------------|---|
| Allen Sweater - Black - L | \$56.00 | -14 | 15 | -1 | \$840.00 |
| Allen Sweater - Black - M | \$56.00 | -4 | 5 | - | \$280.00 |
| | | | | -2 | \$392.00 |
| | | | | 1 | \$392.00 |
| | | | | -5 | \$672.00 |
| | | | | -2 | \$448.00 |
| | | | | 7 | \$448.00 |
| | | | | -4 | \$616.00 |
| | | | | 2 | \$616.00 |
| Allen Sweater - Heather Brown - XXL | \$56.00 | -10 | 11 | 3 | \$616.00 |
| Allen Sweater - True Navy - L | \$56.00 | -10 | 11 | -3 | \$616.00 |
| Allen Sweater - True Navy - M | \$56.00 | 2 | - | -6 | \$0.00 |
| Allen Sweater - True Navy - S | \$56.00 | -5 | 6 | 1 | \$336.00 |

Save this report so it's easy to run for future counts!

FILTERS

Date: Day of the count

Location: Location of the count

GROUPS

Items >> Item Description

Items >> Item Cost

METRICS

Beginning Inventory >>

Qty On Hand

Inventory Adjustments >>

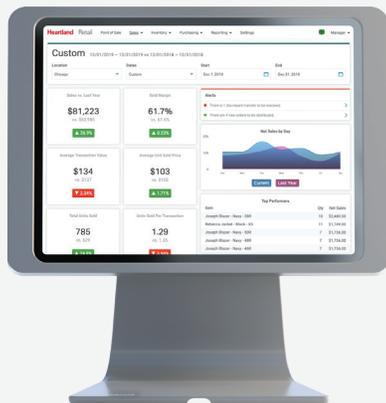
Net Adjusted Qty

Current Inventory >>

Qty On Hand

Inventory Adjustments >>

Net Adjusted Cost



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- Omnichannel Functionality
- Partial & Full Inventory Counts
- Unlimited Custom Fields & Reports
- Transfer Management