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CHECKLIST

INVENTORY TURNOVER AUDIT

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This checklist helps e-commerce CFOs and financial leaders systematically evaluate and optimize inventory turnover performance, a critical metric that directly impacts working capital efficiency and overall business profitability.

Checklist

1. Baseline Metrics Assessment

- ☐ **Calculate current inventory turnover rate**
  Compare cost of goods sold against average inventory value to establish your baseline turnover rate. This fundamental measurement reveals how efficiently you're converting inventory into sales.

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- [ ] **Compare performance against industry benchmarks**
  Review your turnover rates against category-specific standards (e.g., Fashion: 4-6x annually, Electronics: 6-8x annually) to identify performance gaps.
- [ ] **Conduct SKU-level turnover analysis**
  Examine turnover rates for individual products to identify both high-performing and problematic items. This granular analysis reveals opportunities for optimization.

2. Cost Impact Analysis

- [ ] **Calculate true holding costs**
  Determine complete inventory carrying costs including storage, insurance, capital costs, and handling expenses to understand the full financial impact of current turnover rates.
- [ ] **Assess aging inventory impact**
  Review inventory in different aging zones (0-30 days, 31-60 days, 61-90 days, 90+ days) to identify potential write-off risks and storage cost implications.
- [ ] **Evaluate storage fee structure**
  Analyze how current warehouse agreements penalize slow-moving inventory through increased storage fees or long-term holding charges.

3. Operational Optimization

- ☐ **Review reorder points**
  Verify that automated reorder triggers align with current sales velocity and lead times to prevent both stockouts and excess inventory.
- ☐ **Implement dynamic purchasing models**
  Set up systems that adjust ordering patterns based on real-time sales data and seasonal trends to maintain optimal stock levels.
- ☐ **Analyze split shipment impacts**
  Evaluate how inventory distribution across multiple warehouses affects shipping costs and order fulfillment efficiency.

4. Performance Monitoring Systems

- ☐ **Create automated alerts**
  Establish threshold-based notifications for inventory aging, turnover rates, and reorder points to enable proactive management.
- ☐ **Develop cross-functional dashboards**
  Build reporting systems that show inventory performance metrics relevant to different departments (operations, marketing, finance).
- ☐ **Set up regular review meetings**
  Schedule periodic reviews to assess turnover performance and coordinate improvement actions across departments.

5. Strategic Improvement Actions

- ☐ **Design liquidation strategies**
  Create tiered approaches for moving aging inventory through various channels (email promotions, bundling, marketplace sales).
- ☐ **Optimize product mix**
  Evaluate product assortment based on turnover performance to identify items for discontinuation or increased investment.
- ☐ **Align marketing activities**
  Coordinate promotional calendars with inventory aging to prevent excess stock accumulation while maintaining margin targets.

6. Risk Management

- ☐ **Assess seasonal impacts**
  Review how seasonal patterns affect turnover rates and adjust inventory strategies accordingly.
- ☐ **Monitor supply chain risks**
  Evaluate how supplier lead times and minimum order quantities impact your ability to maintain optimal inventory levels.
- ☐ **Create contingency plans**
  Develop strategies for addressing unexpected changes in demand or supply chain disruptions that could affect turnover rates.