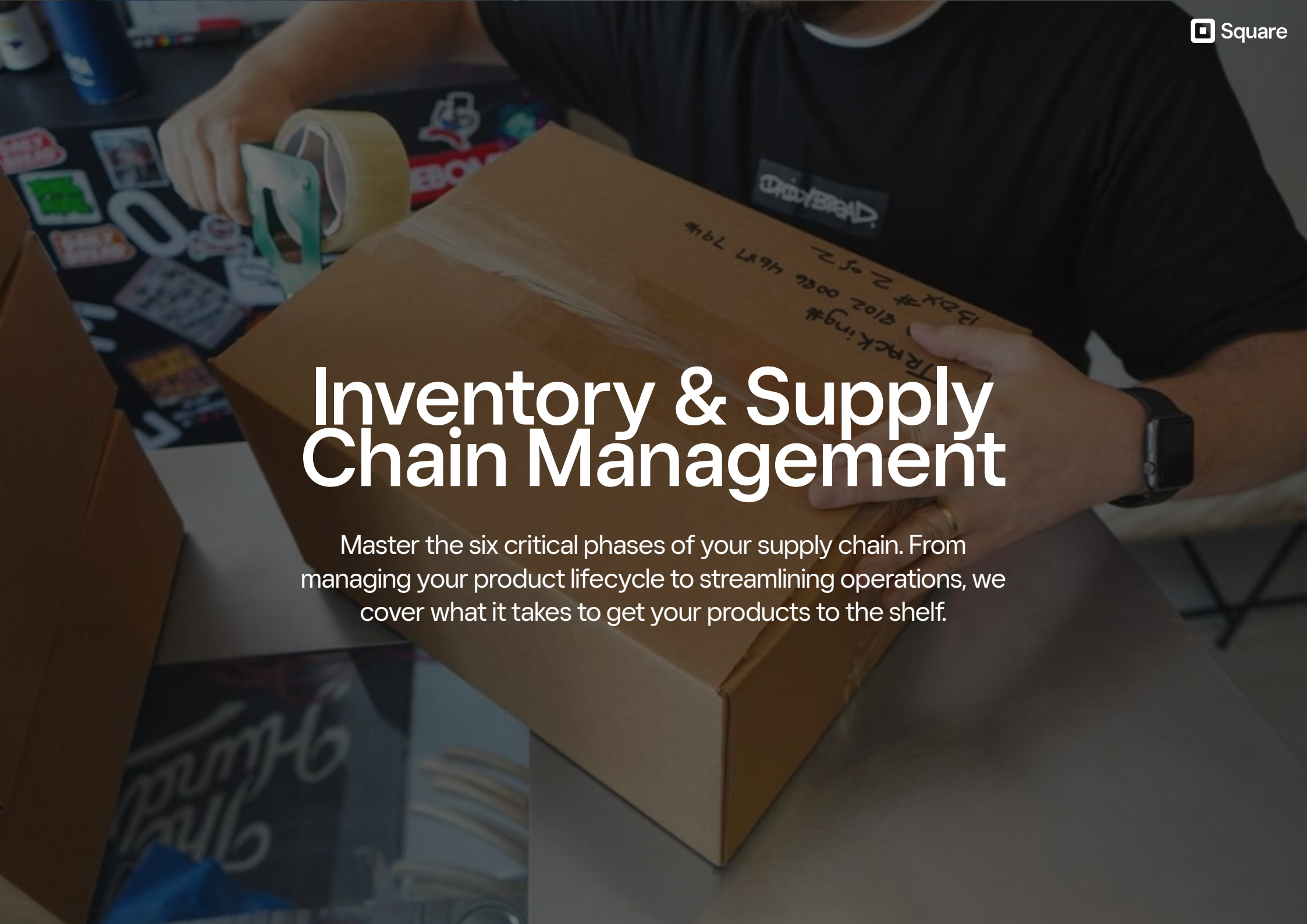


A person is shown from the chest down, wearing a dark t-shirt with a 'DRIVERHEAD' logo. They are using a green-handled tape dispenser to seal a large cardboard box. The box has a handwritten label that reads 'Tracking# 2102 0006 4657 7946' and 'Box # 2 of 2'. The background is a desk with various items, including a blue container and some papers.

Inventory & Supply Chain Management

Master the six critical phases of your supply chain. From managing your product lifecycle to streamlining operations, we cover what it takes to get your products to the shelf.

What's inside:

1. **The planning phase:** Planning your supply chain is the first step to seamlessly managing your inventory and product life cycle in order to balance quality, product availability, customer loyalty, and healthy margins.
2. **The sourcing phase:** Creating an agile supply chain starts with your sourcing practices and supplier relationship management. Stronger relationships with vendors can lead to better prices, better planning, and less risk.
3. **The procurement phase:** By leveraging the procurement process as a competitive advantage, businesses can save time, money, and resources.
4. **The make phase:** From master production schedules, quality management systems, and ISO certification — here's how to optimize the make phase of your supply chain.
5. **The delivery phase:** The delivery phase of the supply chain is critical for retailers to nail. Here's how to exceed customer expectations, while keeping delivery costs down.
6. **The return phase:** Reverse logistics can have a profound impact on revenue by improving customer satisfaction, extracting as much value as possible from returned items, and by protecting profit margins.

4 Steps to Successful Planning

Planning your supply chain is the first step to seamlessly managing your inventory and product life cycle in order to balance quality, product availability, customer loyalty, and healthy margins.

The pandemic may be in the rearview mirror for consumers, but for retailers, pandemic-era changes to the supply chain are still a major challenge. Retailers were forced to quickly accelerate their omnichannel plans. They increased fulfillment options, such as [curbside pickup or ship from store](#), and reinvented how they thought about their warehouses, creating complexity across both their supply chain and revenue streams.

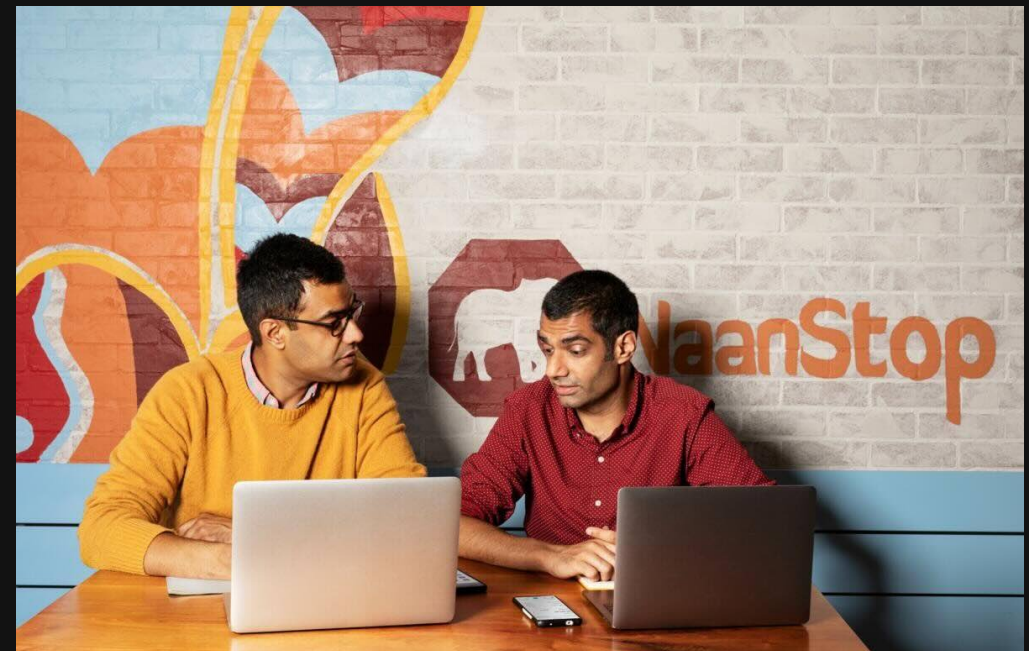
Retailers are also facing new risks and challenges. Uncertainty around geopolitical issues, inflation, cost of living, and a shift in consumer spending has forced retailers to rethink their approach to supply chain management (SCM), and [inventory management](#) as they work to create a more resilient and agile supply chain going forward.

Good SCM — which is the management of the flow of goods within your business — along with the processes put in place within your supply chain, can set your business up for long-term success.

Taking the time to develop a supply chain plan that details the resources, suppliers, and products required to meet your customers' demands will not only help your business steadily grow, but also protect your margins by reducing operating costs.

Let's discuss the steps to take when planning your supply chain:

- Set objectives and create a plan to customer demand
- Define and adjust your demand forecasting
- Understand the role of inventory in SCM
- Identify and track the most relevant KPIs



1. The planning phase

Supply chain planning helps you [closely forecast and meet your customers' demands](#), without sitting on excess stock, which can hurt your bottom line.

In order to effectively manage your supply chain, you first need to understand what your goals are by setting objectives and identifying what key results are required to meet those objectives. Incorporating measurable goals around SCM can help improve operational efficiencies, optimize inventory levels, and help you quickly identify when you need to course correct—all cost-saving measures that will improve your business's profitability.

Supply chain planning objectives for retailers include timely delivery of products to customers, managing inventory to reduce liability and maximize revenue, developing collaborative relationships with accountable suppliers, and being able to recognize and respond quickly to changes in your forecast.

These goals should be part of a comprehensive plan that identifies metrics to measure the success of your supply chain at every critical point. Your plan should also make note of all resources (i.e., technology or labor), processes, and vendor partnerships that will aid you in meeting your goals.



2. Accurately forecasting demand

Once you've determined what you hope to get out of SCM, the next step is assessing customer demand. Demand forecasting is the process of predicting what products your customers want and resourcing against that demand with the right amount of inventory. Done well, demand forecasting will help you make better buying decisions to replenish your stock at the right time.

Determining what your customers want, when they want it, and how much they want is no easy task. Analyzing your business's historical data, coupled with the rate at which your business is growing today (i.e., online and offline traffic and corresponding conversion rates), will help inform your future inventory needs. In addition to understanding your business's growth trajectory, you'll need product-level sell-through data. When analyzing your sell-through data, take into account variables like seasonality, promotions, or other events that may have influenced sales. There will almost always be a margin of error, but the closer you can forecast, the better you'll be able to maximize profit.

Utilizing analytics, software, and technologies such as artificial intelligence (AI), which uses real-time data to predict demand, can improve the accuracy of your demand forecasting and save time. The case for AI is especially promising, with AI-driven demand sensing shown to reduce inventory errors in supply chain management by up to [50%](#), according to McKinsey & Co.

[Square for Retail](#) can help forecast demand with features such as accurate stock reporting to make data-informed decisions. You can use the on-the-go inventory counting tool to quickly scan or search items and update stock levels across all locations instantly. You can also leverage smart reporting insights, like low stock alerts and stock forecasts, and [sync inventory and sales data across in-store locations, online](#), and on social media.

Accurately forecasting demand sets the stage for the rest of the planning process. Good demand forecasts are pivotal in helping businesses make better, more-informed decisions to help reduce costs, increase profitability, and edge out competitors.



"The automated inventory sell-through report is a tool that we use to really look at the future of our business. We want to look at the sales velocity and we want to know what's doing well... So that really helps us just discuss our numbers, and look at what we need to change, and just keep pushing forward to the future."

– Alexis Lilly, manager, [Nappily Naturals](#), United States

3. Setting inventory levels

As we've learned, accurate demand forecasting helps avoid costs associated with poor inventory management. These costs can include backorders or [stockouts](#) and rushed logistics.

[Inventory management](#) is often considered the heart and soul of good SCM. It involves tracking the liability of holding inventory and the costs of lost sales due to insufficient stock. This is most often achieved through data-driven decisions backed by demand forecasting and intelligent inventory management systems. [Square for Retail](#) provides built-in inventory management reports, including sell-through, vendor, and product sales reports. Businesses also look at factors like lead time, safety stock, reorder point, and carrying costs when managing inventory.

[Point-of-sale data](#) is also a helpful input retailers rely on to balance inventory. This information can be shared with upstream vendors so that as stock levels decrease, the retailer and supplier vendor can work together to effectively manage inventory replenishment.

The Square suite of [automated inventory management](#) tools makes it easy to [manage inventory](#), vendors, staff permissions, and more from the [Retail POS](#) or any first-party or personal device and have it sync instantaneously from anywhere. Additionally, Square for Retail data syncing means no more double work is required to see all your data in one place.

Square seller Nappily Naturals & Apothecary uses these features to easily manage their large number of SKUs.



"We use the Auto Create feature whenever we have inventory that comes in that is already pretty much ready to go with a barcode and an SKU. It easily allows us to scan the product. It predicts the information and easily allows us to put new items into inventory without having to go into the Dashboard."

– Alexis Lilly, manager, [Nappily Naturals](#), United States



4. Supply chain key performance indicators (KPIs)

The final step in the planning process is identifying the most relevant KPIs to measure the success of your supply chain plan. Supply chain KPIs act as benchmarks that enable you to monitor how effective your business practices are at achieving your goals. These KPIs should be simple and transparent metrics that can be easily understood and communicated across your business and amongst partners and vendors.

Establishing and socializing supply chain KPIs is especially critical for [omnichannel](#) operations, which can be incredibly complex with many moving parts across channels, platforms, and vendors. Using [Square for Retail](#), businesses can track sales, projected profits, and COGS reports across channels; dive into specifics with filters; and [download reports](#) that provide actionable real-time insights.

Implementing SCM and planning practices are a great first step, but if you are not measuring their effectiveness, it is difficult to know what is working and what areas still need to be addressed.

Creating your supply chain plan

It's never been more important to plan or re-evaluate your supply chain to keep everything running smoothly. Mapping out your process and identifying critical components, such as reliable vendors, customer demand, and areas of risk, is the first step in creating a more efficient supply chain. Establishing supply chain KPIs will hold vendors accountable and keep your business on track.

Strategic supply chain planning is pivotal to the success of your business, ensuring customer satisfaction by meeting demand at the right place and time and securing customer loyalty for years to come.

Square for Retail

Square for Retail is your smart partner to connect every tool that keeps your business moving — so you can shape what's next.

Get Started

Building an Agile Supply Chain With Strategic Sourcing

Creating an agile supply chain starts with your sourcing practices and supplier relationship management. Stronger relationships with vendors can lead to better prices, more accurate planning, and less risk.

The retail industry is in a constant state of change. From growing consumer pressures to the juggling act of [eCommerce and bricks and mortar](#), today's retailers continue to adapt their business models to meet the needs of customers. So what does that mean for supply chain sourcing?

Sourcing is the act of finding suppliers who can provide the products you need to meet your sales and operating goals. It involves evaluating suppliers based on criteria such as quality, cost, reliability, and ethical standards. Sourcing also includes negotiating contracts, managing supplier relationships, and ensuring a secure and reliable supply of goods to keep your business running.

These supplier relationships play an essential role in your supply chain. They require a delicate balance of procuring high-quality goods from vendors you can rely on year after year, while sourcing them at a cost that provides profitable margins.

To do this, a seamless pipeline that ensures reliability and quality despite uncertainties that may lie ahead for your supply chain is vital. These are the steps businesses should take to identify requirements, vet suppliers, and manage those relationships for long-term success.



Identifying your customer's needs

The first step in the sourcing process is to figure out what you actually want to source. What are the items your customer wants to buy, and what do you need to do to get those items on your shelves?

Retailers often use software or third-party apps, like [Faire](#), and their online marketplaces to discover new products. [Square for Retail](#) helps streamline this process by connecting your apps to work together seamlessly.

Keep in mind that your inventory needs may change over time and should be continuously evaluated. For example, sustainability may not have been on your list years ago, but today it is a top priority for many retailers. Ethical sourcing policies and assessing a suppliers' social and environmental practices is [important to both business owners and consumers](#), with research indicating that [84% of customers citing poor environmental practices](#) would alienate them from a brand.

If ethical sourcing is important to your target consumer, start your supplier assessment with a market analysis on potential suppliers.

The Sourcing Industry Group (SIG) offers the following advice for creating [ethical sourcing standards](#):

- Understand and maintain a relationship with vendors throughout your entire supply chain, not just your tier-one suppliers.
- Look to other members of your community for success stories and follow their lead when implementing ethical sourcing practices.
- Take advantage of technologies, such as the [Square for Retail](#) vendor sales report, to stay on top of predetermined sustainable sourcing KPIs.

Square for Retail

When you have too many tasks and not enough time, find ways to increase your productivity with best-in-class POS software.

[Learn more](#)

Narrowing down your suppliers

Once you've honed in on your customers' demands, develop supplier requirements that also fulfill your other fundamental business needs.

These criteria help to determine things like the quality, price, and [delivery times](#). Here are a few requirements to consider:

- Can they fulfill custom requests?
- Do they have minimum order quantities?
- Is exclusivity important to you?
- Do they have a fair defect policy, and are you willing to eat the cost of damaged products if they don't?
- Is the supplier sustainable and ethical?

Setting these requirements before committing to suppliers will help you avoid supply chain problems down the line. When selecting a supplier, you should measure their performance against a set of criteria.

These criteria can vary in importance depending on your business and should be used to establish how well a supplier meets your unique needs. These criteria can include:

- Cost
- Quality
- Reliability
- Performance delivery
- Financial strength
- Responsiveness
- Flexibility
- Social and environmental practices
- Culture

Auditing your suppliers

Once you've identified your business needs and researched potential suppliers, you're ready to audit your top candidates. This means meeting with a handful of vendors with the best proposals to determine if a vendor is the best fit for your business.

Carrying out due diligence is non-negotiable when identifying suppliers. It ensures potential vendors are legitimate and trustworthy. Its also a time to evaluate supplier capabilities, production capacity, and financial stability. Conducting on-site supplier visits, if possible, can also be helpful when evaluating suppliers.

A simple credit check is a great starting point to ensure they have the cashflow to make good on their promises. You can also check business registrations and public records to validate accreditations, and you can even ask for samples of products to assess their quality.

Assessing a supplier's track record and performance history is also important. The best way to do this is to ask for customer reviews or references. If a supplier is not willing to provide customer testimonials or references, this can be a red flag that they are hiding something.

You should also conduct an independent search, which could be something as simple as a Google search or reading online supplier forums.



Negotiating contracts and terms

Negotiating a fair contract with your suppliers is essential to ensure every party makes good on their promises. Contracts should detail what the supplier will deliver and when. It should also make clear what they need in return from you (i.e., pricing) and what will happen if the agreed-upon contract is broken.

Negotiating favorable terms, pricing, and payment conditions can be intimidating, but if done right, it can be a cost-saving measure. Vendors will often negotiate on their standard prices, but knowing how to approach and ask for changes is key. Using data and market research to prepare for your negotiations will help you land on a mutually beneficial terms.

When preparing for your negotiations, consider the following:

- Past and current market data, including cost comparisons from other suppliers
- Based on your demand forecasting, consider your expected purchasing patterns
- If you've worked with a supplier before, include their performance against pre-determined goals

It's important to understand the supplier's motives so you can negotiate a contract that's appealing for both parties. For example, offering a marketing opportunity in exchange for price concessions, decreasing the supplier's risk with a long-term contract (including performance goals that are required to uphold the contract), or consolidating purchase orders.

Doing your homework to understand what you need from the vendors and how you can provide value to them will give you the negotiating power required to secure a strategic partnership.

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Square for Retail is your smart partner to connect every tool that keeps your business moving — so you can shape what's next.

[Get Started](#)

Supplier relationship management

Building strong relationships with solid suppliers can make or break your supply chain. Not only communicating your strategic business objectives, but staying in the loop on their priorities and challenges can open the door to opportunities that can be mutually beneficial for both parties.

A big part of building those relationships is establishing alignment around KPIs, having clear directives, and creating efficient systems for purchasing, inventory management, and payment procedures.

[Square for Retail](#) helps sellers identify those KPIs with reliable insights to gain clarity on business performance and take action from real-time data. Businesses can also [manage their inventory](#), vendors, and more from any first-party or personal device, syncing instantaneously.



Building a change-ready supply chain

Retailers are constantly working to [meet their customers wherever they are](#), while also managing the changing economic and political climates. And much like retail, supply chain management is an always-changing process. Sourcing, too, requires continuous improvement, driven not only by the needs of your customers, but shifting marketplace pressures.

It is vital that your sourcing partners are prepared to address these potential disruptions and mitigate risks down the road. Understanding customer expectations and seasonality to plan accordingly requires the right set of tools. To be successful, retailers need to develop agile and flexible systems that do more than help them to sell.

Your agile supply chain needs to be informed by data with streamlined inventory operations as you expand across multiple selling channels, creating greater reliability and accuracy.

Square for Retail provides that agility with [automated tools](#) that monitor quality, track performance, and generate more accurate forecasts with real-time reporting. Businesses are also able to confidently manage vendors and diversify their supplier base to reduce dependency on a single source and build a more resilient and flexible supply chain network.

Times are changing, and your supply chain should be, too. That starts with your sourcing practices and choosing suppliers that can not only fill your inventory needs but also fit into an agile supply chain model.



"We used to handwrite every order in our account book, so there were constant errors and inventory issues before we switched to Square. Now that we have a team and a reliable POS system, we are planning to expand our stores not only in Sydney but across Australia. Our first Melbourne store was very successful, so that is our starting point to expand further across Australia."

– Youngmin Jo, director, [Tom's Project](#), Australia

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Using the Procurement Process as a Competitive Advantage

By leveraging the procurement process as a competitive advantage, businesses can save time, money, and resources.

Procurement can be a competitive advantage

When you think of procurement, an image of purchasing goods is probably the first thing that comes to mind. While that is the core function of the process, procurement also plays a key role in your operations by [managing suppliers](#) and securing reliable relationships that keep costs down and product quality high.

By leveraging procurement as a competitive advantage, businesses can save time, money, and resources. Today retailers must be more strategic than ever to drive greater value from their suppliers and to stay ahead of a quickly changing market. Technology and real-time data are key to helping savvy retailers adapt quickly.

Let's review the key steps to the procurement lifecycle and how technology can help along the way. Grouped into five broad stages, each step plays a role in producing higher margins and happier customers.



Get specific on your business needs

Procurement management is vital to building a successful retail business. It ensures that you have the goods you need to operate effectively and meet sales demand. Businesses that struggle with this process are prone to delays, to stock shortages, and to lost sales.

First, establish your product needs as specifically as possible for suppliers. While retailers are more concerned with who is supplying the product during the sourcing process, in this phase you should be focused on the product itself. This requires creating a detailed description of the goods or services a supplier is expected to provide and when. It also creates a record of your expectations to make sure you get exactly what you want from your suppliers.

Product specifications include precise instructions, such as dimensions and color. They also explain standard requirements such as delivery times and ethical standards. Product specifications should be detailed and without room for error.

Which products you decide to source is based on many different factors, most notably your [current inventory counts](#) and forecasted consumer demand. Demand planning using historical data is key to help predict which items should be restocked and where new SKUs can be introduced.

[Automation](#) is especially helpful for the procurement function, where it can help make sense of past and current sales data, market trends, and external factors — such as holidays or even weather — to produce more accurate demand forecasts.

Automation also helps streamline many of the mundane and more manual aspects of the process, such as [purchase order processing](#). [Square for Retail](#) offers a suite of advanced and [automated inventory management tools](#) to help retailers build their catalogs, manage vendors, and track inventory in all one place.

Invite suppliers to submit bids

Once you've finalized your product specifications, you're ready to open up the bidding process. Often referred to as tendering, this is when vendors submit bids to supply goods for your business. This process is particularly helpful for businesses with limited supplier options or when businesses are looking for new suppliers. It also gives retailers a good sense of what is available in the market and what it will cost to source their finished goods.

To ensure you receive fair and competitive bids, you need to plan ahead. Supplier considerations include technical capability, past performance, and sustainability initiatives.

Here are just a few to keep in mind:

- Ability to meet required quantity and quality of products
- Proven record of delivery on time and on budget
- Carbon emissions used in manufacturing or delivery of product if sustainability is important to your business



Evaluate and select suppliers

Offering the products your customers want when they want them helps build a strong brand reputation and create a base of [loyal customers](#). That starts with your suppliers.

A crucial part of the procurement process, sourcing involves evaluating and selecting suppliers that meet your budget and quality standards. By carefully vetting and establishing relationships with suppliers during the sourcing process, retail businesses can make purchasing less of a headache. Thoughtful sourcing helps retailers create and manage agile supply chains, which maintain a steady flow of affordable, high-quality goods into the business.

While the procurement team relies on sourcing to identify the best suppliers, they must continue to evaluate established suppliers. Ongoing monitoring ensures the business gets what it needs while managing internal and external risks.

For example, now more than ever, [consumers are demanding transparency into retailers' supply chains](#) to ensure they are buying from brands that sell ethical and sustainably sourced products. While keeping costs low is a major consideration of the procurement function, managing the risks of unethical supply chain practices should also be

Square Inventory Management

Easily manage stock to ensure you have the right products in the right places at the right time.

[Learn more](#)

Once you've identified a promising list of vendors, the next step is to put out a request for information or a proposal. Collecting multiple quotes from vendors helps you make a better decision in choosing the supplier who can meet your standards at the lowest cost. Having options also allows for alternatives if a deal falls through during negotiations.

Managing contracts and deliverables

Negotiating contracts with suppliers plays a critical role in effective procurement management. During the negotiation process, all terms and conditions — such as pricing, payment, and delivery times — should be established. This is your time to communicate all supplier requirements and set expectations for a successful supplier relationship. Once negotiations are complete, a contract will formalize the agreement. The contract should outline all agreed-upon terms and conditions and ensure both parties can work together confidently.

Once you've finalized a contract, you are ready to place an order. This part of the procurement process historically has been a manual and time-consuming one.

Advances in technology are helping to streamline the ordering process, with software and built-in features that automatically create [purchase orders](#) and invoices, maintain records, and manage inspections and supplier relationships.

[Square for Retail](#) helps businesses manage vendors by creating or editing information for purchase orders, barcodes, and reporting. They are also able to create, edit, and manage purchase orders to stock up on products, to track vendors, and to receive inventory.



Refining the procurement processes

Cost savings are no longer the only goal of procurement management. Quality, corporate social responsibility (CSR), and operational efficiency are among some of the procurement function's most notable goals. Meeting those business objectives today is largely backed and measured by data and several key performance indicators (KPIs).

KPIs are used to measure the success of a business's procurement processes. They can help monitor business goals and optimize spend. Defining and tracking supply chain KPIs is critical to ensure the procedures you have in place work effectively. KPIs also keep your suppliers and business stakeholders on the same page, point to what needs to be improved, and show how you compare with competitors.

Your supply chain KPIs should be chosen based on your business's unique goals.

However, there are a few common procurement KPIs every retail business should consider:

- Compliance rate
- Supplier defect rate
- PO and invoice accuracy
- Supplier lead time
- PO cycle time
- Vendor availability
- Price competitiveness

Using technology to your advantage

Procurement is complex, time-consuming, and historically prone to human error. But it is also one area of the supply chain with the greatest potential for change. Rethinking your approach to procurement management with the help of technology can help establish you as an industry leader and a brand that consumers can trust.

Technologies such as [Square for Retail](#) are streamlining operations and saving retailers precious time and money. Technology is making way for faster transactions, improved quality, and better business.

Square for Retail

Square for Retail is your smart partner to connect every tool that keeps your business moving — so you can shape what's next.

Get Started

Streamlining the Make Phase of Your Supply Chain

From master production schedules, quality management systems, and ISO certification — here's how to optimize the make phase of your supply chain.

There's no question supply chains have become a competitive advantage for modern retailers. Investing in your supply chain will keep your business ahead of emerging operational best practices and create the foundation for a more agile and resilient supply chain for years to come. In order to efficiently manage company resources while meeting customer demand, it's critical to strategically approach the [planning](#), [sourcing](#), and [procurement](#) phases of your supply chain and [inventory management](#) processes first. From there, you're ready to tackle the exciting making phase, where you get to see your products come to life.



Understanding the make phase

The make phase of the supply chain involves the production and manufacturing of products. This is typically when raw materials or components are transformed into sellable finished goods.

While the specific activities of the make phase will vary depending on the nature of your business, it most often includes the following steps:

- Managing production schedules and optimizing capacity with a master production schedule (MPS).
- Maintaining quality standards with quality management systems (QMS).
- Continuously improving operating efficiency with ISO certification manufacturing.

When planning for production you'll want to consider your demand forecast, lead times, production capacity, and resource availability. This is also a good time to review the vendor agreements committed to during the sourcing phase in order to hold your suppliers accountable for the agreed-upon terms.

Why ISO Certification in manufacturing matters

[ISO certifications](#) are international standards for business operating practices, and they are becoming increasingly important in the production of physical goods. Standard compliance is a necessity considering global geopolitics, the growing focus on sustainable operations, and consumers' appetite for transparency. For these reasons, it's preferred to work with a supplier that is already ISO-certified and compliant.

All ISO management system standards have a continual need for improvement of your business' systems and environmental practices. The most standard certifications for supply chain practices are ISO 9001 and ISO 14001. Both ISO 9001 and ISO 14001 use a high-level framework that can be easily integrated into any ISO management system and are typically suitable for businesses of all sizes.

What's ISO 9001?

ISO 9001 addresses quality management and creates confidence around the delivery and performance of products and services alike. ISO 9001 also helps ensure your business can meet your customers' demands and product expectations, which in turn makes for [brand loyalists](#). Pursuing ISO 9001 involves regularly auditing how your quality management system is working. You can either conduct these assessments internally or hire a third party to do the assessment for you.

For more information on ISO 9001 quality management system requirements, visit the [ISO committee website](#).

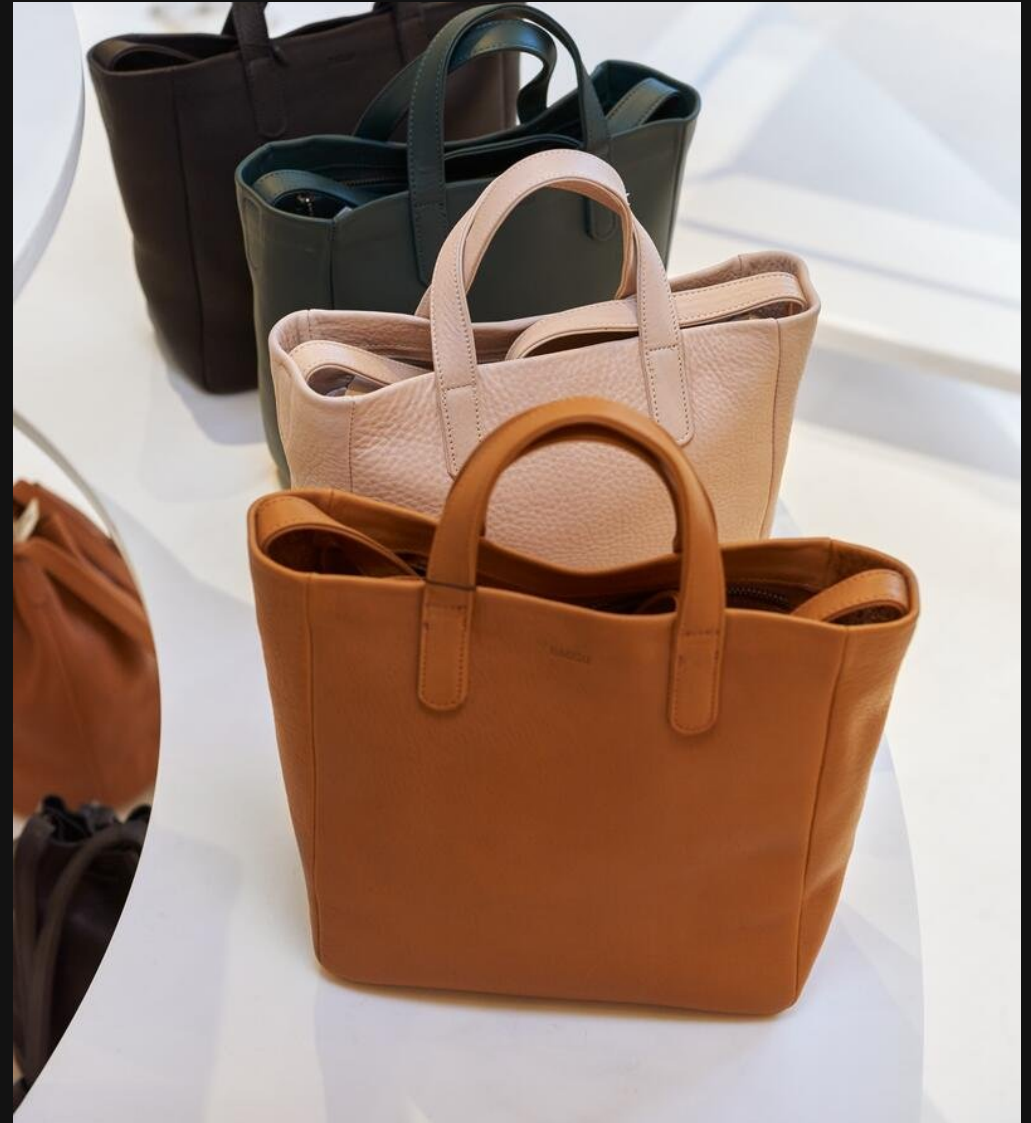
What's ISO 14001?

ISO 14001 helps businesses improve their environmental performance and operating practices. If your business is ISO 14001-compliant, that means you're meeting statutory and regulatory requirements. It can also improve your brand reputation with consumers, investors, and supply chain partners. Improving your operational practices not only looks good, but it can also reduce your operating costs.

ISO 14001 takes into account most practices that may impact the environment, including air pollution, water and sewage implications, waste management, resource usage, and overall efficiency. It pushes organizations to consider their impact on the climate and how they can adjust their supply chain to mitigate climate change.

You can find more information on ISO 14001 requirements on the

[ISO committee website](#)



Creating Master Production Schedules (MPS)

As a next step, you'll want to create your MPS. MPS are a critical component of the production planning and control processes of your supply chain. The output of your MPS should be a detailed production schedule that includes exactly which products will be produced, when they will be produced, and the ideal quantities. The purpose of MPS is to ensure that the production schedules are aligned with the [required inventory levels](#) and that resources are being used as efficiently as possible.

When creating your MPS, consider the following...

1. **Demand forecasting:** Your MPS starts with your demand forecasting. Demand forecasting can be approached in several ways, but at a fundamental level, it should leverage historical sales data, including sell-through by product category and market trends. Using [Square for Retail](#), you can easily access historical and real-time sales and inventory data, which will inform your demand forecast. You can also use the reports within your Square Dashboard to identify areas of improvement to optimize your inventory levels, so you never miss a sale or [sit on excess inventory](#).
2. **Production capacity:** Similar to your warehouses, the manufacturing facilities will have their own capacity constraints that you will need to work within. When creating your MPS, take into account available labor, machines, and materials to determine the quantity of products that will be produced per period (typically by week or month).
3. **Lead times:** Consider the lead times for your raw materials and components to ensure they're available when you need them to stay on your production schedule.

No MPS is perfect, so take into account revisions based on changes in your forecasts and vendor schedules. It's always wise to have safety stock for unforeseen changes to the plan so you can mitigate lost sales.

Staying on top of your Quality Management Systems (QMS)

QMS are a set of practices that ensure business stakeholders have greater visibility into partner performance. They're important to keep the quality of products and processes high across your supply chain. QMS also prevent unnecessary costs and to lower the risks of compliance or safety issues down the line.

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Get Started

There are key components you'll want to consider for your supply chain QMS:

- Defining and agreeing upon quality standards for products with your suppliers. This should be done at the [sourcing stage of your supply chain planning](#).
- Implementing controls to monitor and inspect products at various stages in the supply chain. Take advantage of technologies, such as the [Square for Retail](#) vendor sales report, to stay on top of predetermined operating key performance indicators (KPIs).
- Conducting regular audits to assess supplier performance and course correct when unforeseen challenges arise.

Done correctly, QMS help businesses build more agile and consistent supply chains, reduce lead times, and ensure on time delivery.

There are many moving parts within the entire supply chain and within the make stage, in particular. From managing production schedules, capacity utilization, maintaining quality standards, and continuously improving efficiency, it can feel like a lot. However, done thoughtfully, you can produce quality products and build trust with your supply chain partners and consumers, while protecting your bottom line.

Mastering the Delivery Phase of Your Supply Chain

The delivery phase of the supply chain is critical for retailers to nail. Here's how to exceed customer expectations, while keeping delivery costs down.



As consumers become increasingly accustomed to receiving their orders as soon as the next day after ordering, the delivery phase of the supply chain has become even more critical for retailers to nail down.

The delivery phase of the [supply chain](#) is when the products actually reach customers. This crucial step involves all logistics required to move products from [the manufacturing facilities](#) to customers. The primary aspects of the delivery phase include managing transportation modes, selecting carriers, optimizing routes, tracking shipments, and ensuring on-time and intact deliveries. This part of the supply chain also involves managing distribution centers, warehouses, and [inventory levels to meet customer demands](#) while finding cost-saving efficiencies along the way.

Let's dive into why optimizing the delivery phase of the supply chain is critical for both a positive customer experience and for reducing operating costs.



Getting started with fulfillment

There are several ways retail businesses opt to fulfill orders. Larger retailers typically utilize direct-to-consumer (DTC) fulfillment, which is when the business owns or leases their fulfillment centers, manages all inventory, and handles the shipment of products to customers. Retail businesses which are growing quickly or need to free up funds may also explore a third-party logistics (3PL) fulfillment option. 3PL is when businesses outsource the physical warehouse, fulfillment, and shipping needs to a trusted third-party distribution center to manage.

When selecting the right transportation for your products, start with your company's delivery requirements. These specifications include the types of products you sell (are they bulky, variable, fragile, or perishable?), the volume of products which will need to be shipped based on your demand forecast, popular geographical areas you serve, and desired delivery times.

[Omnichannel retailers](#) will also need to account for using their stores as mini fulfillment centers. This includes [curbside pickup and buy online, pick up in-store](#) (BOPIS) options, which are growing in popularity. Using [Square Online](#), you can enable in-store pickups so customers can easily order online and pick up in-stores later. By enabling the curbside option, buyers will also see the option for curbside pickup at checkout and receive a text message when their order is ready. To avoid inventory tracking issues, it's important to use a warehouse management system that marks orders clearly, and corrects by fulfillment type and flags when orders are delayed beyond your predetermined outbound service-level agreements (SLA). Learn how to set up [in-store pickup and curbside pickup](#).

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Selecting a cost-efficient and reliable carrier

Once you're clear on your delivery requirements, you'll want to define your carrier requirements. Carrier requirements typically include pricing, reliability, service area, and whether the carrier can handle your forecasted shipment volume. If your products require special care or packaging, you'll also want to check that suppliers can meet those needs. While you can check online for reviews, seeking recommendations from peers in your industry is the most useful way to narrow down your list of carriers.

Once you have your short list of suppliers, you'll want to request quotes to compare prices. Quotes should include a detailed description of your fulfillment needs and the associated costs. From here, it's critical to negotiate favorable terms and rates.

[Shipping is often one of the largest expenses](#) for retailers, eating into their profit margins, so securing favorable terms early on will be advantageous. This may include volume discounts, service guarantees, and flexibility in case your business needs change. Finally, you'll want to check for insurance and liability coverage. The carrier you move forward with should have adequate insurance and liability coverage in case of loss, damage, or theft of your goods during transit.

If you outsource, your carrier will be responsible for optimizing routes. If you're delivering orders with your own employees you'll want to spend time analyzing the areas which have the highest density of orders, taking into account busy traffic times in order to optimize your delivery routes.

Finally, customers are often more forgiving as long as brands proactively communicate when an order is delayed. For example, if you promise your customers that orders will ship within three days of being placed but your team is not able to meet that promise due to increased demand or labor shortages, you can send an automated email with [Square Marketing](#) to let customers know before your customer care team is inundated with inquiries. Oftentimes, retailers will [include a discount](#) or another token of appreciation in these types of circumstances.

Fleet and warehouse management best practices

Fleet management is required for on-time delivery, keeping costs down, and regulatory compliance. In order to optimally manage an agile fleet, [supply chain management](#) and visibility are paramount. This means all stakeholders should have access to real-time updates on where orders are at any given time. It's helpful to set operational key performance indicators (KPIs) to reinforce your delivery goals. Common goals to benchmark your business against are delivery complaints or inbound and outbound SLAs, which track the amount of time it takes employees or 3PL partners to process inbound and outbound items.

Luckily, due to advancements in inventory management software like [Square for Retail](#), businesses can stay up to date on current and incoming inventory levels across all locations while keeping track of pending orders across all sales channels and getting access to insightful reports around inventory, sales, and fulfillment to keep the business on track and meet customer expectations.

By having a strong grasp on [inventory management](#), aligning stakeholders around fulfillment KPIs, and continuously optimizing routes and resources to ensure on-time delivery, retailers of all sizes can deliver their products in a cost effective and timely manner that [builds brand loyalists](#) for years to come.

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The Key to Effective Reverse Logistics

Reverse logistics can have a profound impact on revenue by improving customer satisfaction, extracting as much value as possible from returned items, and by protecting profit margins.

Nailing your reverse logistics

Efficient reverse logistics is the last phase of a [well-oiled supply chain](#). If done correctly, reverse logistics will cut down on the cost of returning items and put products back on the shelves faster in order to maximize profits.

Reverse logistics refers to the process of returning goods from the customer back to the manufacturer or retailer for the purposes of returns, repairs, or recycling. From a consumer perspective, returns may seem simple, but for advanced retailers, this stage of the supply chain includes not only customer returns but also proactively managing recalls, disposing of hazardous materials in an environmentally responsible way, and refurbishing or recycling products when possible.

Let's dive into why managing the return phase of the supply chain is critical for customer satisfaction, minimizing waste, and maximizing profits on returned products.



What are reverse logistics?

Once you've nailed your [supply chain planning](#), [sourcing](#), [procurement](#), [production](#), and [delivery](#), it's time to optimize the return phase of your supply chain, otherwise known as reverse logistics.

Here are the components of successful reverse logistics for retail businesses:

- **Returns:** This procedure includes the processing, tracking, and transporting returns from the customer back to your fulfillment center. This can be because a product is unwanted for one reason or another, or because it's damaged or recalled.
- **Repairs:** Instead of discarding used items or gear, more and more companies are opting to repair items to extend their lives, reduce the costs of raw materials, and create brand loyalists.
- **Recycling:** This is the process of disposing of products in an environmentally friendly way in order to reduce unnecessary waste and salvage materials.
- **Product recalls:** This is the process of monitoring, notifying, and retrieving products from your customers that have been deemed unsafe. Depending on the industry you're in, product recalls will be a larger or smaller focus for your business.

This stage is crucial as it can make or break customer satisfaction, minimize waste, and maximize the value from returned products.



Making returns as painless as possible

Returns are challenging for all retailers. In 2022, [the cost of retail returns](#) in the United States reached \$817 billion — 16.5% of total retail sales. Poorly managed returns can lead to increased logistics costs, lower margins, and the overall degradation of revenue. Making returns easy on the customer, however, can increase conversion rates and [boost brand loyalty](#).

Luckily, there are ways retailers can approach returns in order to keep their costs down while keeping customers happy. By being upfront about your return policies and making it easy for customers to return orders, shoppers will be more likely to make the purchase.

The [most common and controllable reasons for returns](#) are damaged or broken items, items that did not arrive in time, or items that did not match the product description. While products can be damaged once they leave the fulfillment center by the shipping carrier, your fulfillment team should be held accountable for safely packaging orders to prevent damage in transit. Ensuring all orders are reviewed before they ship, meeting the agreed-upon outbound Service Level Agreements (SLA)s, and continuously reporting on your company's return rate and corresponding reasons for returns will help the business continue to make improvements to keep returns at a minimum.

For [omnichannel retailers](#), the rate of return is [higher for online purchases \(18.1%\) compared to offline purchases \(8-10%\)](#), so clear product descriptions and photography are critical. Using Square for Retail, sellers can create compelling item descriptions quickly with auto-write, [powered by generative AI](#). Additionally, using the [Square Photo Studio app](#), eCommerce sellers can choose from more than 50 style prompts and add hyperreal, AI-generated backgrounds to item photos, elevating their websites and attracting more customers. Above all, product photography should be clear and accurately capture the way an item looks.

Finally, making returns as frictionless as possible for customers goes a long way. Many retailers are adopting longer return windows and more return options, such as no label or no packaging returns. It's also advantageous to offer [buy-online and return-in-store](#) options for the customer's convenience and to save on shipping costs.

Evaluating if a circular supply chain is right for your business

Circular supply chains are not adopted by all retailers, but they are growing in popularity due to consumer demand and the increasing costs of materials. A circular supply chain, also known as a closed-loop supply chain, aims to minimize waste and maximize the lifecycle of products.

This is where repairing and recycling items come into play. While repairing items may seem counterintuitive for businesses wanting to encourage customers to place as many orders as possible, there is a growing trend among both consumers and retailers alike to care about sustainable operations and extend the life cycle of a product.

Furthermore, in a [survey of 54 of the largest global brands](#), nearly all reported that consumers are increasingly caring about living a sustainable lifestyle.

There are several ways you can start adopting a circular supply chain. Developing products that are durable and built to last with sturdy materials and sound product design is one avenue. While the cost of materials may be slightly higher, customers are more likely to continue to buy from transparent brands that sell high-quality products, reducing your acquisition costs over the long run. [Brands like Patagonia](#) are also opting to extend their product life cycle by allowing consumers to ship damaged products back to their fulfillment centers or visit stores for free repairs or refurbishments.

Finally, helping consumers responsibly recycle items they purchased can help businesses extract valuable materials that can be reused while reducing waste. Recycling, instead of throwing products to the curb, helps customers feel good about disposing of items in an environmentally friendly way and helps your business extract value from used products.

Evaluate if a circular supply chain aligns with your company's broader environmental goals and how adopting more sustainable supply chain practices may improve customer perceptions of your brand. In addition to reducing the environmental impact of consumerism, adopting a circular supply chain can offer economic benefits to your company.

Managing product recalls to minimize backlash

Managing product recalls in a timely manner is important for customer safety and upholding your brand's reputation. While monitoring and managing product recalls varies in importance depending on your business model and the products you sell, it is important to have a process in place for when a recall does occur. Product recalls can come with legal repercussions and can damage your brand reputation if not handled quickly and correctly.

When a recall is identified, work closely with your supply chain partners to identify the source of the issue and to manage the retrieval of affected products. This is a good time to review supply and vendor contracts and agreements for liability and reimbursement terms to protect your bottom line.

You will also want to develop a recall plan that outlines the necessary steps required of your team to notify and retrieve products from your customers. When a recall does occur, connect with your legal counsel, notify relevant authorities, and create a media plan to address the recall head-on. By having a detailed recall plan in place ahead of time, retailers can respond quickly to product recalls and preserve brand perception.

As the last step in the supply chain, reverse logistics, or the return phase of the supply chain, can receive the least amount of attention from business owners. However, if done correctly, reverse logistics can actually have a profound impact on revenue growth by improving customer satisfaction, extracting as much value as possible from each item sold, and protecting your profit margins.

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