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Quick Guide for Tackling Stockouts Once and For All

Few things in business are more frustrating than stockouts

Nobody likes stockouts. From the customer's perspective, they've invested the effort to research and find a product they like, they're ready to purchase, and yet, they're met with disappointment and rejection at checkout.

Likewise, for retailers and distributors, few situations are more hated and cumulatively impactful. After carefully nurturing their brand, successfully advertising and marketing a product, and capturing ever-elusive customer interest, the sale slips away at the very last moment. They not only miss out on revenue but face the double hit of still incurring all the overhead, short of actual cost of goods.

The impact is felt beyond just the significant loss of sales and revenue. Stockouts tarnish customer relationships and confidence, weaken brand perception, create operational and logistical challenges, and increase overall cost, all of which ultimately impact the bottom line.

Inventory distortion cost companies $1.77T in 2024—

$1.2T from out-of-stocks

From Covid to current crises: stockouts remain a threat

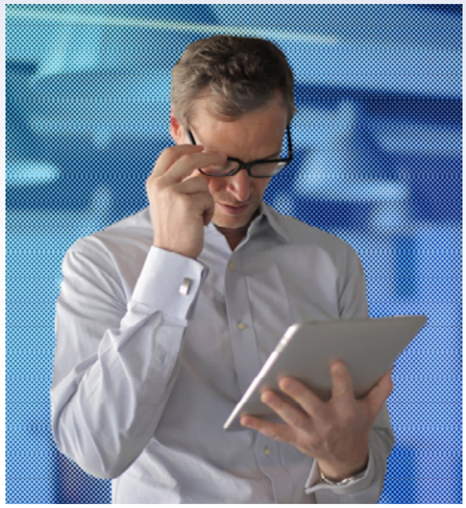
Inventory management has never been easy. Fluctuating demand, unpredictable costs, product expiration, and shipment delays are all too familiar, evergreen obstacles. But with the added uncertainty of geopolitical conflict, shifting tariffs, runaway inflation, regulatory changes, and extreme weather, ensuring stock without going under, or excessively over, can seem more daunting than ever.

Global inventory distortion cost companies approximately $1.77 trillion in 2024, with out-of-stocks accounting for roughly $1.2 trillion of those losses. Though Covid had prompted companies to build up their inventory buffers, by October 2024, many had trimmed back those cushions. To combat this constant push and pull, many leaders are shifting toward inventory strategies that align more precisely with demand, often powered by AI and real-time intelligence.

Sources: McKinsey, https://www.mckinsey.com/capabilities/operations/our-insights/supply-chain-risk-survey. Accessed August 2025. IHL Group, https://www.ihlservices.com/product/fixing-inventory-distortion-are-we-there-yet/. Accessed August 2025.

It's a multi-step process

There are no magic fixes for stockouts, but modernization underlies almost every step towards mitigation. This guide explores key measures to finally reign in stockouts and maximize your company's inventory optimization potential.



Operate as a single supply chain brain

Almost by definition, siloed operations prevent a holistic view. When departments act independently, decisions in one area can negatively impact another, leading to issues such as excess stock in some warehouses and shortages in others. Or perhaps one department or region fails to communicate an anticipated increase in demand to another, who then fails to source a critical upstream product component, ultimately leading to shortages throughout the organization. There are endless ways in which lack of integration between all aspects of a supply chain can lead to stockouts and missed revenue.

The problem is so pervasive that 72% of supply chain leaders report lacking end-to-end visibility, and only 19% of organizations have integrated scenario planning into their strategies for handling disruptions.

Organizations should actively foster communication at all employee levels, so your team understands that they are expected to report progress and status to their peers. Build a culture that rewards collaboration and empowers your people to speak to each other—and speak up when appropriate.

Of course, this is easier said than done but modern visibility supply chain software can help by connecting procurement, logistics, sales, marketing, and operations on a single platform. Look for best-in-class software platforms that can interface seamlessly with existing systems. This doesn't have to be a one-stop, all-or-nothing endeavor, especially for businesses with many layers of legacy infrastructure. Make tactical improvements that are feasible in the short and medium terms and work towards a long-term strategic plan of full modernization.

Ultimately, achieving full visibility can be a challenging endeavor that requires investment in technology, data, and process change, but the benefits are many and the cost of doing nothing can be disastrous. Integrated supply chains demonstrate higher profits, improved risk mitigation (including reduced stockout risk), greater operational efficiency, faster disruption response, and happier customers.

Source: Gartner, https://www.gartner.com/en/newsroom/press-releases/2025-05-19-gartner-says-supply-chain-leaders-should-prioritize-advanced-data-visibility-and-scenario-planning-to-drive-competitive-advantage-amid-global-uncertainty. Accessed August 2025.

Diversify suppliers and trade routes

Tariff changes, natural disasters, geopolitical risks, shifting regulations, port congestion, and labor actions all reinforce the reality that uncertainty is here to stay.

While companies may not know which shock is next, they can build resilience in advance by diversifying their supplier base to remain agile, reduce stockout risk, and respond more quickly to evolving demand.

There's no one-size-fits-all approach to supplier diversification. Some companies succeed by multi-sourcing locally, some by diversifying across regions globally (especially those that offer cost benefits), while others pursue nearshoring to minimize duties and disruptions. Better yet, some employ a mix of all these strategies. The key is to find the right balance between cost, reliability, and feasibility that works for your organization.

When engaging multiple suppliers, keep in mind that many might rely on similar trade routes, which can nullify some of the benefits of diversification. Likewise, suppliers in the same region may be vulnerable to similar climate and political risks. Build geopolitical, climate, and trade route risk assessment into your standard process of reviewing suppliers.

Diversification may add short-term complexity and will require investment in effort and capital, but over time, improved and more reliable inventory management will pay dividends many times over. And again, don't let perfect be the enemy of the good. You don't have to reach full diversification at once. Make consistent progress and know that in time, you will have built a stronger, more reliable inventory infrastructure.

Harness AI and automation technology

AI is changing every aspect of our lives and supply chain management is certainly no exception.

A recent report reveals 55% of supply chain leaders have boosted their technology and innovation spending, with 60% allocating over $1 million. Between 28 and 57% are actively using AI already while another 54% plan to adopt it in the next five years. Clearly, AI is not of the future, it's happening now and is being integrated into supply chains throughout the world.

By automating repetitive tasks, optimizing routes, and reducing waste, AI is driving efficiency and resilience. But perhaps most importantly, AI can enable smarter inventory decision making by analyzing data, finding patterns, and forecasting demand. Companies can ensure inventory is positioned where and when it's needed most, so they can stock now for tomorrow's demand.

These are not just theoretical advancements. Retailers like Target, Walmart, and Home Depot have shown that AI-driven processes can work at scale to prevent stockouts. They are using AI-driven technology to maintain the sweet spot of enough inventory to meet demand, but not so much that they are compelled to offer markdowns or take product loss.

Sources: Supply Chain 24/7, https://www.supplychain247.com/article/new_mhi_and_deloitte_report_focuses_on_orchestrating_end_to_end_digital_supply_chain_solutions. Accessed August 2025. PwC, https://www.pwc.com/us/en/services/consulting/business-transformation/digital-supply-chain-survey.html. Accessed August 2025. Business Insider, https://www.businessinsider.com/walmart-target-use-ai-to-prevent-inventory-shortages-2025-6. Accessed August 2025.

Supply chain leaders are investing big

55%
INCREASED TECH AND INNOVATION SPENDING

60%
ALLOCATED OVER $1M IN TECH SPENDING

28-57%
ARE ALREADY ACTIVELY USING AI

54%
PLAN TO ADOPT AI IN THE NEXT 5 YEARS

Drive action through real-time insight

There is little value to end-to-end insight or predictive AI if the information that feeds these processes is stale and not driven by real-time data.

Does it really matter if you know how much inventory you should have had last month in October when it's now November and the Christmas rush is ahead?

Companies leveraging real-time insight gain a competitive edge with continuous monitoring and instant data access so they can:

- Forecast demands more accurately by using real-time inventory data to reduce stockouts
- Boost operational efficiency by minimizing manual tracking, errors, and reactive firefighting
- Improve fulfillment and replenishment with low-stock alerts and faster response to sudden demand spikes
- Proactively manage disruptions by identifying supplier bottlenecks, shipping delays, or other logistical issues before they escalate

Start taking action today

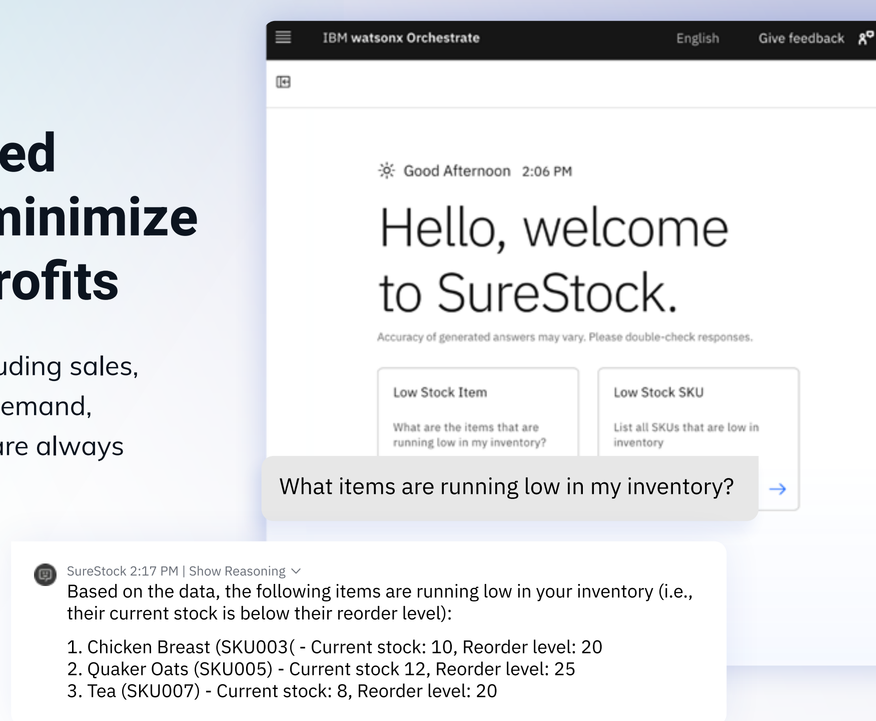
The strategies outlined here can't all be implemented overnight and might take some time to integrate into your organization, but every step is a critical move towards optimized inventory management. Start with pieces that fit naturally into your current processes and infrastructure, and use their success to build momentum towards more involved long-term transformations.

In the meantime, when stockouts do occur, protect your brand and customer relationships at all costs. Be transparent about the issue that led to the stockout, communicate the steps you're taking to prevent recurrence, share realistic restock timelines, and offer proactive updates. To minimize the impact of the stockout, recommend product alternatives and consider gestures like discounts to preserve loyalty and brand strength.

Long-term stockout mitigation requires technology adoption and strategic supply chain improvements. But with a clear roadmap and commitment to modernization, you can transform stockouts from an ongoing vulnerability into a manageable exception.

Meet SureStock: AI-powered inventory optimization to minimize stockouts and maximize profits

SureStock analyzes 25 key business elements—including sales, inventory, POS, and demand forecasts—to predict demand, reduce stockouts by 50%, and ensure your shelves are always stacked with the right products at the right time.



AI-driven demand forecasting
Stay ahead of trends and seasonality

Real-time stock alerts
Know what's running low before it's too late

Root cause analysis
Identify stockout patterns to prevent future issues

Automated replenishment
Optimize orders and adjust for supplier delays

Seamless system integration
SureStock works with POS, ERP, and warehouse systems

30%
INCREASE IN DEMAND FORCAST ACCURACY

50%
FEWER STOCKOUTS

25 key data points analyzed in real-time

Millions saved in lost sales & excess inventory

Say goodbye to stockouts

To learn more or see SureStock in action, visit:
https://info.coenterprise.com/consultation

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Fueled by our commitment to people and building lasting relationships, we've helped more than 800 customers on over 1,000 projects for some of the most recognized brands in the world—encompassing everything from data integration, to comprehensive analytics platforms, and migrations to the cloud.