

Case Study

Inventory Sorting & Stock Optimization in Kovai Pets

1. Introduction

This case study focuses on improving inventory management practices in a well-known pet retail business in Coimbatore — **The Kovai Pets Carnival**, along with its two branches:

- The Kovai Pets Carnival
- The Kovai Pets Mart
- New Kovai Pets

Although the business generated strong revenue through marketing and customer engagement, profitability was declining due to poor inventory control, stock mismatch, and billing inconsistencies.

This case study documents how inventory was categorized, billing stock was aligned, and material inflow/outflow was corrected to improve overall profit margins.

2. Problem Statement

Most retail businesses focus heavily on marketing and customer acquisition but neglect structured inventory management.

In this case:

- Revenue was high
- Customer footfall was strong
- Multiple branches were operational
- But net profit was decreasing

Identified Issues:

1. No proper stock categorization
2. Manual tracking errors
3. Billing stock mismatch
4. Expired/slow-moving items blocking capital
5. No real-time in-out tracking
6. Inter-branch stock misalignment

This led to:

- Stock shortages for fast-moving items
- Overstocking of low-demand products
- Capital locked in dead inventory
- Losses due to expiry

3. Objectives of the Study

1. Categorize all inventory systematically
2. Correct billing stock discrepancies
3. Track material inflow and outflow accurately
4. Reduce dead stock
5. Improve profit margins
6. Standardize inventory system across all branches

4. Inventory Categorization

All products across three branches were classified into structured categories.

4.1 Category-Wise Segregation

Main Category	Sub Category	Examples
Pet Food	Dry Food	Puppy food, Kitten food
	Wet Food	Canned dog food
Accessories	Leashes, Collars	Dog leash
Grooming	Shampoo, Conditioner	Medicated shampoo
Healthcare	Supplements, Medicines	Deworming tablets
Live Animals	Dogs, Birds, Fish	Breeds & exotic birds
Aquatics	Tanks, Filters	Aquarium pump
Pet Care Equipment	Crates, Beds	Foldable crate

4.2 ABC Analysis

Inventory was divided based on value and demand:

- **A Category (High Value / Fast Moving)**
 - Premium dog food
 - Imported accessories
 - Healthcare products
- **B Category (Moderate Value)**
 - Standard accessories
 - Regular grooming products
- **C Category (Low Value / Slow Moving)**
 - Low-demand toys
 - Rare breeds accessories
 - Overstocked items

This helped prioritize stock control efforts.

5. Billing Stock Correction

5.1 Identified Problems

- Physical stock ≠ Billing software stock
- Manual billing errors
- No SKU coding
- Duplicate product entries

5.2 Corrective Actions Taken

1. Complete physical stock audit
2. Product-wise SKU creation
3. Barcode tagging implementation
4. Removal of duplicate billing entries
5. Synchronization across all three branches
6. Standardized product naming system

Result:

- 8–12% stock mismatch corrected
 - Improved billing accuracy
 - Reduced shrinkage
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6. Inward & Outward Material Flow Correction

6.1 Previous System

- Manual register entry
 - No GRN (Goods Receipt Note)
 - No stock issue record
 - Inter-branch transfers not recorded properly
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6.2 New Structured Flow System

A. Inward Process

1. Supplier Invoice Verification
2. Quantity Check
3. Expiry Date Recording
4. GRN Entry in System
5. Shelf Allocation

B. Outward Process

1. Billing auto-deduction
 2. Manual adjustment restricted
 3. Branch transfer record
 4. Daily stock reconciliation
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6.3 FIFO Implementation

For:

- Pet food
- Medicines
- Wet food
- Supplements

First In First Out (FIFO) was implemented to avoid expiry loss.

7. Inter-Branch Inventory Synchronization

Problem:

- One branch had excess stock
- Another branch faced shortage

Solution:

- Weekly consolidated stock report
- Centralized stock monitoring
- Inter-branch stock transfer log

This reduced unnecessary reordering.

8. Dead Stock Identification & Clearance

Items not sold for 90+ days were categorized as dead stock.

Actions:

- Discount sale
- Combo offers
- Bundle pricing
- Supplier return negotiation

Capital recovery improved working capital cycle.

9. Financial Impact

Before Improvement	After Implementation
Frequent stock mismatch	Real-time stock tracking
High expiry loss	FIFO control
Capital blocked in slow items	Optimized ordering
Profit margin unstable	6–10% improvement in net margin

10. Key Performance Indicators (KPIs) Introduced

1. Inventory Turnover Ratio

2. Stock Accuracy %
 3. Expiry Loss %
 4. Fast-moving SKU tracking
 5. Monthly Dead Stock Report
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11. Final Outcome

After systematic categorization and correction:

- Inventory became structured
- Billing matched physical stock
- In-out materials tracked accurately
- Profit margins improved
- Stock wastage reduced
- Capital utilization optimized

The Kovai Pets group transitioned from revenue-focused retailing to structured inventory-driven profitability.

12. Conclusion

Inventory management is the backbone of retail profitability.

This case study demonstrates that even high-revenue businesses can suffer losses due to poor stock control. By implementing structured categorization, correcting billing mismatches, and standardizing material flow, **The Kovai Pets Carnival and its branches** successfully improved operational efficiency and profit margins.
