

# Dimensional Insight's Nancy Berkowitz Talks Inventory Management in a Pandemic

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## What is it that Dimensional Insight does and what is your role there?

I'm the Industry VP for Dimensional Insight, so my role at a 40,000-foot view is to make sure that everybody is happy, and that we provide what our clientele needs today and tomorrow.

We are a privately held software and service company where we focus on business intelligence, data management, reporting and analytics. We have several hundred plus suppliers and distributors in the beverage alcohol industry who use us to manage their business. Some are very large companies, some very small. We have built industry specific applications to meet their specific needs.

Basically, we can take information from multiple sources extract it and tie it all together in columnar data bases so you can report on and analyze what is happening in your business while focusing on what you need to.

## Specifically, for the alcohol industry, I know that there is a vast array of data and analytics that you collect, but what are some of the most common ones that people would use so they can understand this without seeing it?

There are a lot of key performance indicators that companies must look at and one area is inventory management performance details. But they can look at inventory, sales, marketing, finance, operations etc. and tie it all together because they are all interrelated. So, producers of products, whether it's a winery or it's a distillery, or importers for that matter, can take information from their production side/supplier and bring it all the way down to the final sale to the consumer.

Because that is interwoven, you must be able to manage everything well. You have to have the product available, make sure distributors have it available, and the retailers and restaurants as well. So, details of managing inventory are the key indicators that people focus on because if you don't have that right, it can directly affect your bottom line.

**Is it accurate to say that Inventory management has been a pain point in the industry in 2020?**

I would say that it is on everybody's mind, it is a crazy world we are living in right now. Companies that used to sell on and off-premise are more off-premise focused because of closures due to Covid-19 as well as what is happening out there in the world. Another pain point is understanding the E-commerce channel of distribution and its effect on inventory management. It has grown dramatically this year. Specifically, with B2B sales and direct sales to consumers.

Being able to look at those sales and understand what and how people are buying is very important.

What a lot of our clients are finding is products that used to sell well before may not be now and others are flying off the shelves. So past trends, that were used to project what inventory needs are, have changed dramatically. We are helping them with a product called Inventory Advisor. This tool helps bring out the information on insightful dashboards and scorecards so people can see what they must pay attention to and how things are changing.

**What are some of the disruptions you have seen in the supply chain in 2020?**

Obviously, the change in premise type volume distribution and product selection are some. The distributors and trade are trying to figure out what they should and shouldn't be carrying and suppliers are trying to understand where the consumer's heads are at, to market to them properly. In addition to COVID-19, weather has played a big role as well.

I live in South Florida and we have been lucky in terms of major hurricanes not hitting us, but the threat caused us to stock up on items. If you look at what's been happening with hurricanes this year though, there have been so many that have affected other areas. When storms hit, people tend to stock up on Beverage Alcohol products. They consume them to give themselves a break from the tension.

Another thing is the economy. Look at the rate of unemployment, it is so high right now and again people's taste and drinking habits are changing because they still need this break that we were talking about, but they may want a different product because of it. Circling back to the inventory of things you have to manage for that.

**Do you work with brands outside of the US as well?**

Yes, we do have quite a few because we work with importers and exporters who manage their global business with our Diver Platform and applications.

We also do business worldwide. We have offices in Asia, two in Europe and one in Panama, so outside the United States those offices work with the beverage alcohol industry as well.

**Are you seeing a difference in disruptions or delays for overseas or imports versus domestic products?**

Our clientele who are dealing with the tariffs and figuring out which ones were going to be put in place and which ones weren't, were really scrambling to figure out how they were going to market their products and manage their inventories.

They need to determine what price they are going to be paying and charging as well as dealing with their changing contracts with foreign suppliers and shipping goods early in some cases. The price points still need to be competitive, so it makes for a big cluster mess and it is very tricky to deal with. Again, being able to manage pricing information and understanding how each price is going to affect them is a big deal and that did have a strong effect on ordering processes and inventory shipment and storage.

Also, some companies could not produce goods due to shutdowns.

**How would you advise brand owners to set or reset appropriate KPIs during these challenging and ever-changing times?**

Well, I think they must look at a lot more information than they might have originally. Number one, understanding not only new industry and brand trends, but forecasts for the economy. They need to look at economic indicator details that affect their business while being aware of how that is going to affect their particular consumers too.

Then they have to look at the short-term history, not just long-term history because it has changed so vastly and so quickly.

They really need to keep up with the marketplace, get as much information as they can out of the E-commerce vendors that they do business with, so they can see where they are experiencing growth and where they are not and then focus their money on those areas. It is not easy to do.

We are used to saying, "This a five-year trend and here are the markets that succeeded last year." That may not be the case this year, not just because of the pandemic but also the weather, politics, and all sorts of other things like the fires and the tariffs that are being put in place. They must look at a broader range of things and then they must narrow it down and simplify it.

They need to be able to ask, "What are my outliers? Here are the projected numbers, which ones are way off projections that I can then focus on and what caused that." A lot of it is assumption, and then you need to be able to take care of it whether it is a high outlier or a low outlier.

**What else is Dimensional Insight advising clients are best practices even beyond inventory?**

I think in general, one of the things is that people are working differently. A lot of us are working from home, some people have never done that before, so they are juggling family and work life and hours that they work.

People that are used to traveling and going into the market to promote their products must look at other ways to do that. Understanding how to communicate in this situation is key. You used to call someone at their office. You might not be doing that anymore. You are trying to get their home phone or cell phone, usually the cell phone.

Also dealing with utilizing media that help them communicate personally, whether it is a virtual or a web meeting so they can speak face to face and you can see those expressions and feelings that people are having when you are talking to them. That way you have a better understanding of what is going to make sense.

The other thing is that because of the way we are working, we are spending our money in different places. Understanding how that is impacting your numbers is very important. Are they more focused now on e-Commerce and social media and what are they doing and what is the effect of that? Being able to analyze that quickly is important so that companies don't overspend or underspend in particular areas in order to take advantage of opportunities.

### **Are you seeing an increase in shrinkage this year because things are so hectic?**

Shrinkage is defined in a few ways: one is theft, one is breakage, and another is lost products. I have not heard anyone say that has changed dramatically but there has been overall less stock available for some products. This is due to availability from suppliers and because the three tiers do not want to have a lot of dead stock sitting on the floor. Everything is changing so rapidly, there is a need for even closer inventory management.

On the flip side, products that are imported, mostly the ones that we know are pretty good sellers, are being stocked up in case of shortages from not being able to travel, tariffs or nobody producing because of lockdowns. There has been a kind of balance and it varies by product.

### **Have you seen any inventory strategies, for example fewer SKUs like just the necessities?**

There are a few different things that are happening, it is not just the fewer skus but the size mix and the pack mix that is changing too. If you think about it, a bar may have cordials to mix drinks with and they are using 750ml or liter bottles, while people at home may not use a bottle that big as it would last for possibly two years. So, for home consumption, people are looking for a smaller cordial bottle size in some cases like a 375ml size which is a difference.

People are buying a six pack instead of a 12 pack or a four pack, too. Being able to limit the number of new skus to an extent is definitely what a lot of the off-premise trade is doing, because they want to be able to stock the products that are moving. On the other hand, if there is an incentive that makes it worth their while to carry something for whatever reason, they will do it.

Using unique ways to market the products makes a difference as to which skus they put on the shelves.

### **How has Dimensional Insight had to adjust its own practices this year?**

We have been very lucky, we have not laid anyone off, we have not furloughed anybody, we are fully operational. The only thing is more of us are working from home when we can for safety reasons. Our HQ is in Massachusetts and then we have staff in Wisconsin, San Diego, and Florida. Because of the different restrictions in the different areas, getting the office safe and where it needs to be is so important so that is something, we have had a big focus on.

We have changed the way we work with our clients. I used to be on an airplane probably every other week and now I have not been on a plane since March.

How we work is very focused on our customer outreach programs and we are doing that in multiple ways. Keeping up with everybody and making sure they have what they need and helping them where we can is key.

Even if it has nothing to do with our business we are there for them. We consider ourselves a partner not a vendor and sometimes people need that. We may have nonproprietary information from someone we have been talking to, that may help someone else that we can pass along. We have been changing our MO a lot in terms of how we work every day.

The nice thing is that we have developed all of our software, so our development staff is still doing the development, they are still enhancing things, creating new tools and we are helping people. We are finding that companies are using analytics and data management more and more.

Especially right now during what would normally be the holiday season, they need to know where their numbers are, we are here to help them with that.