

Inventory Shrinkage

Benchmarks, Definition & Measurement Details

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Inventory Shrinkage

Definition & Measurement Details



What is Inventory Shrinkage?

The total cost related to inventory shrinkage (broken, pilfered, spoiled, or stolen inventory) divided by the average dollar value of inventory on hand, as a percentage.

Why should this KPI be measured?

Inventory Shrinkage measures the portion of a company's inventory that is lost and does not generate any revenue. High Inventory Shrinkage may be a result of inventory theft, inventory damage, miscounting,

How is this KPI calculated?

Two values are used to calculate this KPI: (1) the total cost related to inventory shrinkage, and (2) the average dollar value of inventory on hand. The total cost of inventory

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