

THE OOS PROBLEM IN ONLINE RETAIL

Discovering that a product is out of stock remains one of the biggest frustrations for online shoppers. What's worse, it is also a common reason for online shoppers to switch retailer and/or brand.

Earlier research suggests that over 30 % of consumers switch brand and 20 % buy the brand elsewhere when a product is out of stock. Out of stock (OOS) is a problem for both retailers and suppliers.

During 2021, Retail United performed a study analyzing several key dimensions of the retail online channel including OOS. During a three-month period, we carried out online mystery shopping using our proprietary web crawler Hawkeye, monitoring more than 20 large retailers' web shops in several countries offering consumer durables. Several findings surfaced during the analysis of which some are included in this paper.

Out of stock (OOS) is generally a problem in today's web shops.
The average out of stock level in

our study was close to 20 % and for some sub-categories as high as 60-70 %. It is worth noting that the period when the online channel was monitored occurred before the current global supply chain problems became noticeable and that out of stock levels are likely to be even higher for a period to come.

OOS levels vary significantly between categories, individual products as well as retailers.

Different degrees of availability between different categories and products are not unusual and may occur due to e.g., general demand

for a specific product, temporary campaigns, and shortcomings in the supply chain. However, reoccurring or prolonged differences in product availability between retailers may indicate that there is room for improvement. Comparing five different products, all displayed online in five major web shops in one country, showed that out of stock for a unique product may differ significantly between retailers but also that some retailers seem to perform better than others regarding product availability overall. See exhibit 1.

EXHIBIT 1: Out of stock level per product and retailer

(Number of days when product is not available in stock/Total number of days monitoring period)





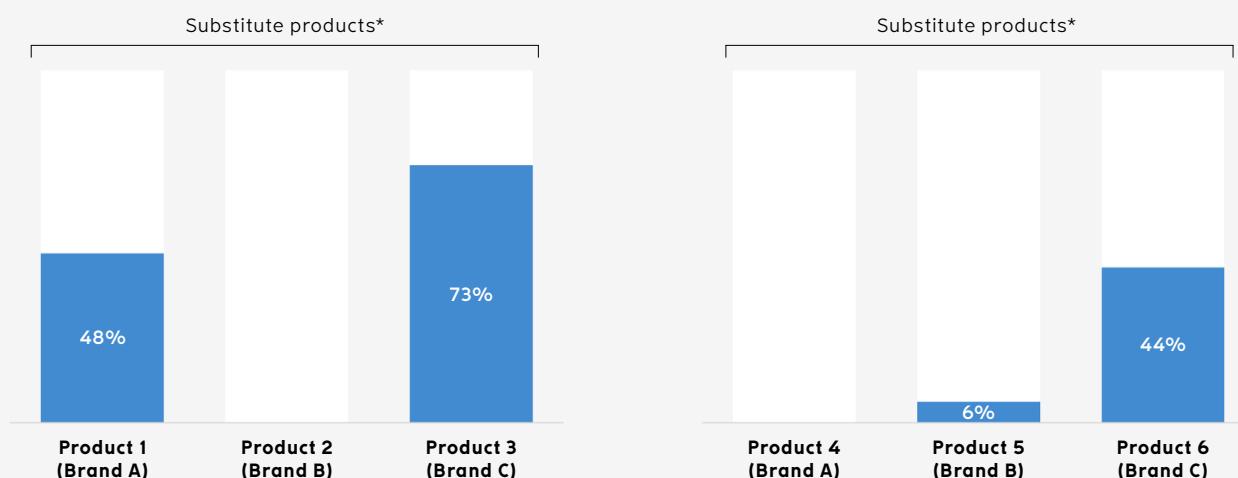
Out of stock levels vary significantly between brands, including head-to-head competing products.

We found examples in our study of head-to-head competing products or substitutes where average out of stock levels varied from 0% for one brand to over 70% for another. See exhibit 2. For suppliers, this is bad news if the consumer values fast delivery more than the need for a specific brand/product. Differences in availability may be the trigger that makes consumers switch brand.



EXHIBIT 2: Out of stock level per product/brand

(Number of days when product is not available in stock/Total number of days monitoring period)



*Acknowledged by suppliers as being head-to-head competing products. Similar functionality, price, distribution etc.



There are good reasons for both suppliers and retailers to minimize out of stock. For retailers, out of stock leads to lost sales in the short term but can also mean decreased customer satisfaction and loyalty in the long term. For suppliers, out of stock leads to a distorted perception of actual demand, consumer brand switching and decreased brand loyalty over time. There are several measures in play to prevent stockouts. For suppliers, who seldom have access to first-hand data, a natural first step is gaining a detailed fact-based understanding of the current situation in the online channel.