The $1.73 Trillion Planning Crisis

Chapter 1:

Anatomy of a Global Problem

$1.73T = South Korea's Entire GDP

Annual Global Inventory Distortion Cost

The root cause?
Fragmented planning processes that fail to align assortments, inventory, and demand across the value chain.

The Split? Lost Sales VS. Markdown Losses

OUT-OF-STOCKS

66.9% **$1.16 Trillion**
Customers leave empty-handed

OVERSTOCKS

33.1% **$572 Billion**
Deep discounts required

Where **Out-of-Stock Money** Goes

- Empty shelves: **$690.9B** → replenishment failures
- Customer Service failures: **$165.6B** → Can't find help
- Product Location issues: **$145.2B** → Can't locate item
- Price/Offer Mismatches: **$77.4B**

Where **Overstock Money** Goes

- Supplier issues: **$198.0B** → Vendor coordination failures
- Buying/Planning Failures: **$148.8B** → Forecasting errors
- Spoilage/waste: **$100.7B** → Perishable losses
- Personnel issues: **$59.5B**

Functional Impact Across Operations

Store Ops
$742.5B
POS Failures, service gaps, visibility issues, theft

Supply Chain
$626.5B
Transport delays, warehouse issues, supplier breakdowns

Manufacturing
$359.5B
Production issues, quality problems

Progress Despite Persistent Headwinds

- Inventory distortion has improved from 10.4% (2021) to 6.5% (2025) of retail sales.
- Yet at $1.73 trillion annually, the scale remains enormous - there is more work to do.

The Path Forward

Fragmented planning prevents retailers from responding to volatility, protecting margins, or aligning strategy to execution. Retailers achieving **95%+** inventory accuracy share three characteristics: unified data platforms, AI-driven forecasting, and continuous scenario planning capabilities

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Source: IHL Group Inventory Distortion Study 2025