The 3 Causes of Excess Inventory

Spoiler Alert

Table of Contents

Introduction

Despite their best efforts, companies across the board struggle with mitigating the risk of excess inventory. While many companies work hard to reduce the possibility of excess inventory, the truth is almost every CPG company deals with the challenges of managing it at some point. Although it's inevitable, that doesn't make the task of minimizing and managing it any easier.

However, just because it's inevitable doesn't mean excess inventory is unpredictable. While pinpointing the exact causes can be difficult at times, and some may arise from factors outside a company's control, the first step to properly managing excess inventory is recognizing what caused it.

Many of the causes of excess inventory fall into one of three categories. They are:

1. **Macro-Environmental Influences**
2. **Operational Risks**
3. **Corporate Strategies**

Each of these situations, despite varying levels of control and impact, can be planned for. And while — especially when it comes to external factors outside your control — you may hope you never have to use those plans, isn't it always better to be prepared?

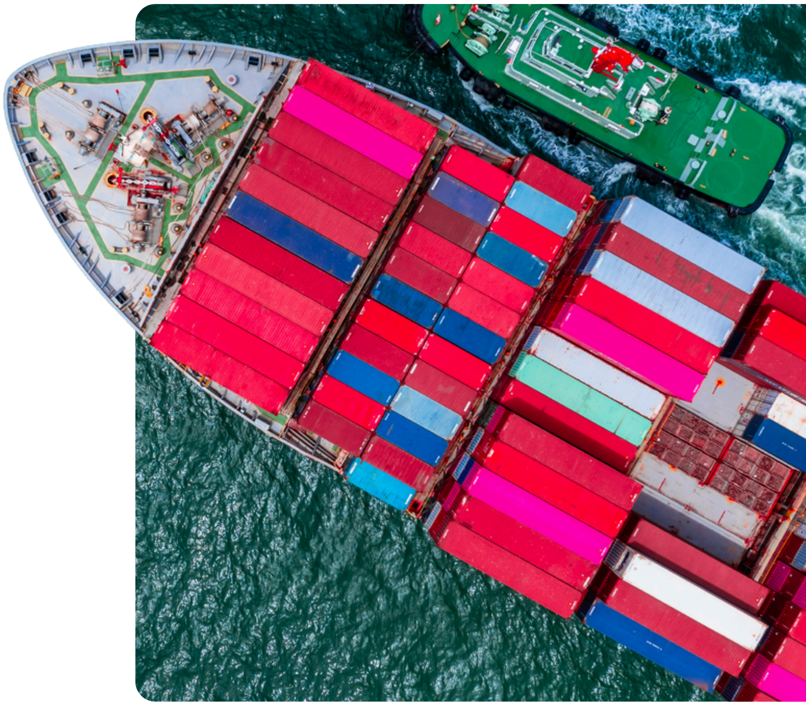
Let's dive into each of these three categories, with examples and insights on not just how they lead to excess inventory, but how to plan for and manage it when they do.

Cause #1

Macro-Environmental Influences

Macro-environmental influencers are often the cause of excess inventory that's most outside of a CPG's direct control. They include economic conditions that change consumer behavior, regulations and tariffs that impact commerce and global trade, and natural disasters that disrupt supply chains.

While you know that these situations will arise, it's impossible to know exactly what or when they will happen, and what the impact of them will be. Even still, there are opportunities to get ahead of them.



Take, for instance, how CPGs have positioned themselves in response to growing calls to eliminate artificial food dyes. In 2025, many manufacturers are reading the writing on the wall and making moves to phase out these dyes from their products over several years. Companies like Kraft-Heinz could wait for government mandates and regulations to force them to change course. But by proactively responding, they allow themselves more time and ability to manage the change, which will undoubtedly come with excess product to manage after the reformulation.

While it isn't always possible to proactively respond to other known unknowns, for instance, a hurricane in a central shipping lane or a sudden recession, having a multi-faceted strategy in place for those situations — even if you never have to use it — can save you valuable time when they do arise.

When dealing with short-shelf life products, that time can be the difference between product destruction and profit.

Cause #2

Operational Risks

Operational risks are just a part of doing business as a CPG. Especially for CPG companies with short-shelf life products, even when your core business is running well, plenty can still go wrong? Despite perfect planning, excess happens.

A machine in the manufacturing plant goes offline. A sales forecast is off the mark. Suddenly, a customer goes out of business, and you lose the account. Operational risks can also include less dramatic situations, including seasonal or special products and everyday challenges from products with short shelf-lives. Sometimes, excess inventory challenges arise from objectively good things, like SKU rationalization, product innovation, and rebranding. All of these situations are known parts of doing business. But you never know when, or how, they will happen.

When considering how to manage these operational risks, the first step is accepting that they will happen at some point. Whether you are a Fortune 500 company with daily reports of excess, or an emerging brand that is balancing step-change shifts in demand, any successful company will run into these issues at some stage.

From there, having a proactive plan for managing excess inventory when they do, including a network of buyers ready to go, a process for how to list and award offers, and a tool in place that can help all along the way, is the best way to ensure cost recovery without sacrificing time, energy, and money in the process.

Let's take a look at a few instances where top CPGs were challenged with excess inventory and how they dealt with it...

01 | **Product Redesign**

Zack's Mighty Tortilla Chips saw this play out when they decided to give their products a new look, but still had thousands of dollars of inventory featuring the old design. They didn't want to confuse shoppers with two different packages on the shelves, but discarding perfectly good product felt like a waste.

Within a week of listing their full shelf-life bags of tortilla chips with the old branding on Spoiler Alert to a network of retail and wholesale buyers, multiple truckloads were sent to a large discount retailer. **What had been sunk packaging and raw materials costs turned into $60K in sales.**

"Spoiler Alert is a game-changer for us. We were able to quickly turn our surplus packaging into cash flow to reinvest back into production. Knowing we have a reliable partner for excess sales has changed our approach to production planning and R&D."

Zack Gazzaniga
Founder & CEO of Zack's Mighty

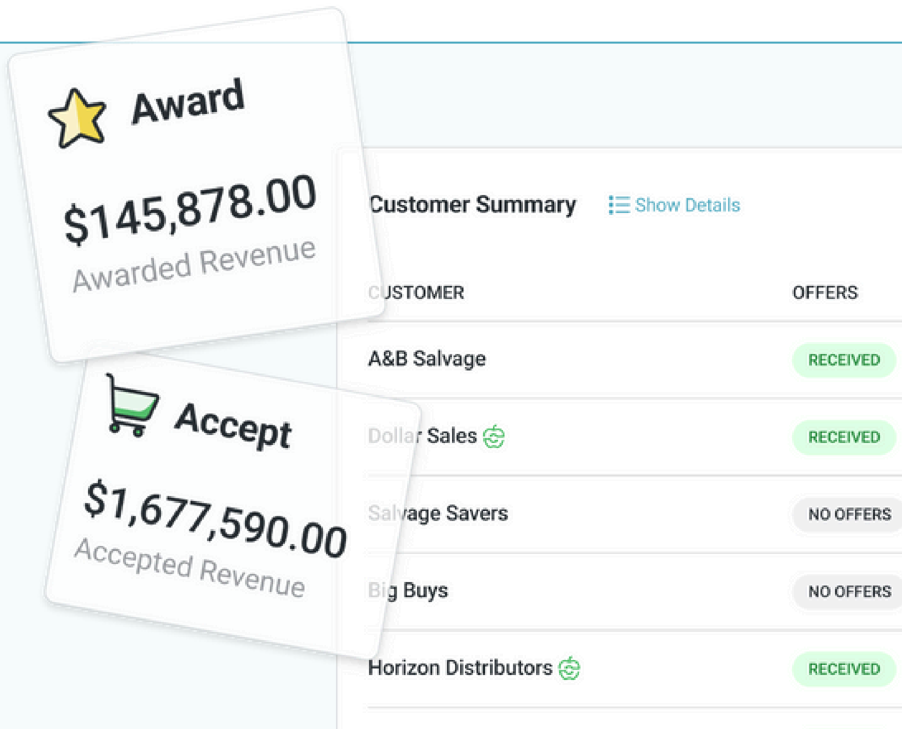
02 | Seasonal Demand

At Hormel, they were faced with excess inventory when they overestimated demand for a limited-time holiday product. Situations like that used to be a fire drill for their excess inventory team, Jim Jordan, Regional Sales Manager, and his colleague, Maria Carranza, Sales Solution Specialist.

But by working with Spoiler Alert, Jim says they now have a strong network of buyers and can list the product quickly and easily on the platform. This approach means Jim isn't just moving product; he's gone from panic to planning, with wins for Hormel too.

"I have more buyers I can work with now, and by listing it earlier, I'm able to recover more."

Jim Jordan
Regional Sales Manager at Hormel



03 | **Limited Shelf-Life**

For years, Land O'Lakes has faced the challenge of managing surplus dairy products with limited shelf life, often making it difficult to donate unsold food before it expires. They knew they needed a better solution to deal with this ongoing issue.

Through Spoiler Alert, they streamlined their process of selling short-dated inventory and donating what remains, resulting in 3.6 million pounds of donated food and surpassing their 2030 goal of 3 million pounds in just one year. The efficiency gained has also resulted in significant cost savings—$112,000 in freight costs and nearly $200,000 in recycling and landfill fees were saved in a single year alone.

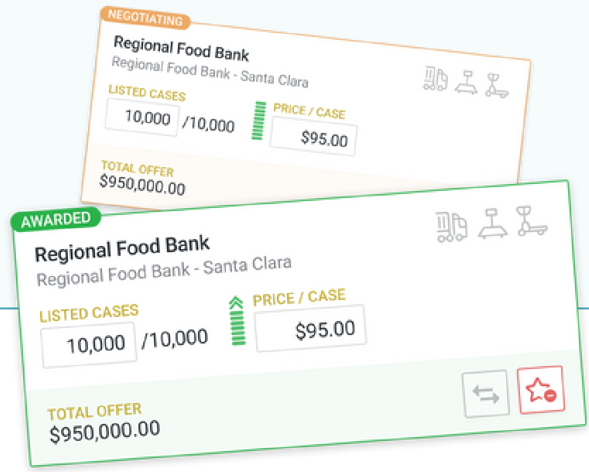
With this early success, Land O'Lakes has expanded its Zero Hunger goal, now aiming for 15 million pounds of product donations by 2030 and creating a win-win for themselves and those in need.

12-Month Results with Spoiler Alert:

3.6M
pounds of **donated food**

$112,000
freight **cost savings**

$200,000
recycling and landfill **fees saved**



Cause #3

Corporate Strategies

The third cause of excess inventory, corporate strategies, can include more obvious initiatives that lead to excess, like divestitures and discontinuations, but also less obvious shifts, such as mergers and acquisitions that cause disruptions and lead to distressed inventory. For instance, older products are often discontinued to create room for growth.

While they can still be surprising, they often come with long lead times and planning phases that make them easier to manage.

For instance, when SKUs are discontinued, be it in favor of a new product or for other business considerations, there is likely to be some of the old product left sitting in a warehouse long after the market is already buying the latest and greatest.

When Chobani made the decision to [discontinue its line of cold brew products,] they worked with Spoiler Alert to sell through remaining inventory – with much success. In a single sales cycle, they were able to achieve a 170% sold cost recovery SCR and 60% sell through rate STR on their excess inventory.

This was thanks in large part to their preparation in planning, discussing price changes that would be likely to attract customers and building relationships with a large network of buyers through the platform.

Chobani's Results in a Single Sales Cycle with Spoiler Alert:

170%
sold cost recovery SCR

60%
sell through rate STR on their excess inventory

Mergers and acquisitions are even more likely to make products obsolete, as branding and packaging quickly change to account for new ownership. Even if a CPG is acquired by a similar manufacturer with experience in the space, learning new systems and processes can often mean hiccups in production and inventory management that lead to excess.

Luckily, not only do you know these situations are likely to arise in your business, you're also able to know exactly when, and how, they will happen. CPGs spend months planning for innovation, and mergers can be years in the making.

Having a plan for how to deal with the excess inventory that will inevitably come with business growth is not just a nice-to-have or should-do, it's a smart, responsible way to succeed.

Your customers, and your future business partners, will thank you for it.

You Know What Caused It, Now What To Do About It?

As we said, the first step in managing excess inventory is learning what caused it. But, now what? When it comes to distressed inventory, there are three lines of defense...

1

Offer Your Current Customers a Discount

Often, the first and easiest way to offload excess inventory is to ask your current customers if they'd like a discount. And sometimes, they'll say yes. Unfortunately, excess is often driven by an already-existing lack of demand from current customers, and your sales team probably doesn't have a lot of incentive to sell through discounted products.

Lower value inventory can be harder to incentivize, and the additional complexity that comes with managing a discount program can cause new problems.

2 Liquidation on the Secondary Market

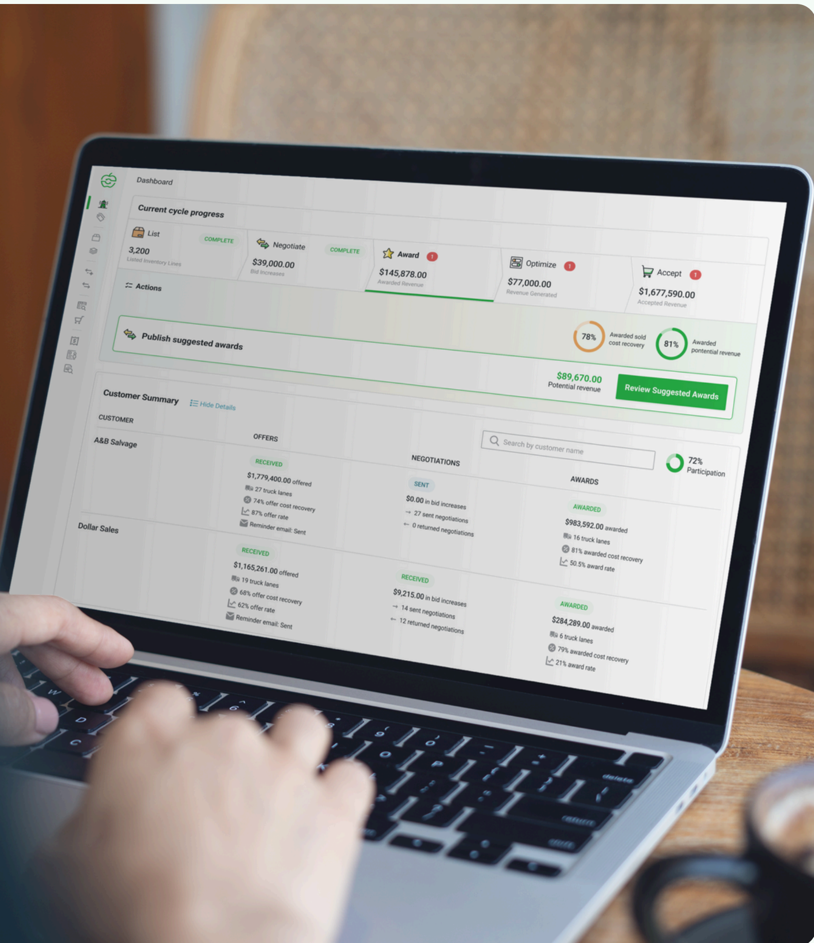
Selling to discount retailers is an attractive option for many CPGs.

But, without an already-built network of secondary market customers, the process of doing so can be manual and time-intensive to execute sales. It can also be difficult to protect and control pricing and brand integrity, without as much insight into best practices or benchmarks.

3 Donations

The last line before destruction is donation. It can make you feel good, for sure. But it can be incredibly difficult to know when to donate without missing timing windows entirely, especially if you don't already have the right donation partners.

Without these things, even the most well-meaning CPGs can still see their products end up in landfills.



Spoiler Alert,

Your New Line of Defense Against Excess Inventory

Learn More

With Spoiler Alert, CPGs can not only take advantage of each of these lines of defense but also mitigate for each of their downsides and solve for the problems they create.

With our built-in network of over **300 vetted and varied buyers** on the secondary markets, as well as features that support both discounts and donations, we make the process of managing excess inventory easy, saving you time and effort while increasing cost recovery.

Top CPGs use Spoiler Alert to help them plan for what they know is inevitable, no matter what causes it. If you'd like to join them, **get in touch with our team today!**

Meet the Author

Ari Hopkinson is the Vice President of Customer Success at Spoiler Alert. Ari leads the Customer Success, Operations, and Support teams to partner with our customers and maximize the value they realize from our solution.

Prior to joining Spoiler Alert in 2017, Ari worked at Avery Dennison as a Customer Supply Chain Leader, where she partnered with key Fortune 500 customers in the apparel and footwear industry on global supply chain and quality strategies.

Ari holds a dual bachelor's degree in Chemical and Environmental Engineering from Worcester Polytechnic Institute.