Inventory Management:
Avoiding the Sound of Silence

Whether you are a warehouse, distribution center, manufacturer, or even a retailer, there are two sounds made by your business -- the sound of making money or the sound of losing money. When products are being made, moved, or sold the floor is a flurry of activity. Conversely when inventory is unable to keep pace with demand the consequences can be deafening. In a best case scenario inventory mismanagement results in back orders, late orders, incomplete shipments, and lost customers. The worst case? Your business and/or that of your customers come to a grinding halt – the dreaded sound of silence.

Inventory Issues

As the lifeblood of the supply chain, inventory is arguably the most valuable asset for any company. Goods represent a serious investment with costs related to storage, movement, management, insurance, taxation, and so on. Because a return on investment is not realized until inventory is used or sold, its mismanagement creates a significant financial burden.

Common problems associated with inventory include:

- Not knowing exactly what, where, or how much
- Paper-based and manually intensive
- Not leveraging/maximizing technology
- Too much inventory/ not enough inventory
- Inaccurate tracking
- Poor space utilization

Increased Pressure

If inventory is the lifeblood, then its management is the heart that keeps things flowing. In today's "Order it today, expect it yesterday" world, investments are being made to automate and streamline order entry, fulfillment, and shipping. But turbocharging the out-bound end of the process puts a strain on inventory management to keep pace. Inventory managers face increased pressure to maintain optimum stock levels while responding to (and anticipating) changes in demand. Effectively managing inventory today requires leveraging best practices, practical advice, and emerging technologies. Here are a few things to consider:

Large Orders – Newer companies often lack a clear understanding of carrying cost or the cost associated with inventory on the shelves. Because those in procurement always feel like the biggest evil is running out of something, overbuys are made to cover for potential vendor issues. This results in too much inventory of certain items and the inability to buy what is needed if the market shifts. Establish internal rules on handling customer orders that are well above the average demand. Address questions like: *Are those orders allowed to deplete existing inventory?* These rules may vary based on the vendor or may need an additional layer of approval before hitting the warehouse floor. Deal with potential stock outs before they occur.

Accountability – Often it simply boils down to a simple question: *Who's in charge of making sure inventory levels support our goals?* Assign accountability for inventory management. Inventory planning goals will never be met if this question cannot be answered.

Trusted Suppliers -- In order to manage inventory you must first have it. Sounds simple enough; but consider your suppliers. Are they reputable and reliable? Any weak links in the supply chain will be a reflection on your ability to deliver. Keep track of supplier performance and be prepared to make changes if needed. This can be done by creating a vendor scorecard to measure and track reliability/performance and focus suppliers on what matters most to you.

Consider Drop Ship -- Drop Ships move goods from the manufacturer directly to the customer or end-user bypassing the usual distribution channels. However, be warned that this isn't for everyone. Drop Ships can cause multiple deliveries, confusing documentation, etc. If drop ships are viable, incorporate them into the metrics to make sure they are measured.

Get Analytical -- Employ statistics that incorporate the accuracy of sales forecasts, required production lead times, manufacturing schedule adherence and service-level data for each SKU. Define and measure Key Performance Indicators (KPI). There are a variety of formulas available to help determine inventory accuracy. Search the Internet and find one that works best for you.

New Products – Often new products are introduced without communicating their impact on current inventoried items. A new product form/procedure should be introduced that covers impacted, or potentially impacted, SKUs. Product people may tend to say "The market will decide." but those in procurement must be able to factor the difference between new market share and replacing existing

sales. Additionally, product meetings should include a review of the products that are listed as "never outs" to make sure the list is still accurate

Pareto Principle – If you have to focus and make choices fall back on the 80/20 rule. All products do not have the same levels of demand. Focus on those 20% that make up 80% of the volume and manage that inventory really well.

Get your Head in the Cloud – Cloud-based communication is quickly emerging as a leading platform for inventory management. The ability to access data on mobile devices from anywhere in the world, delivers new levels of flexibility and responsiveness. In today's mobile world, information must be accessible anywhere, anytime.

Automation: The Solution and the Problem

Paper-based or manual methods simply cannot provide the integration, accuracy, and responsiveness to keep pace with today's accelerated supply chains. Fortunately there is an abundance of tools available to automate many inventory and distribution functions. But while Enterprise Resource Planning (ERP), order fulfillment tools, dynamic slotting, conveyors, carrousels, and so on certainly have their place, they can become islands of information and liabilities when implemented in a piecemeal approach.

Sales, order fulfillment, shipping, replenishment, inventory, etc. must be tightly integrated as part of a complete warehouse management strategy. A Warehouse Management System (WMS) manages supply chain operations while providing instantaneous and unconditional access to vital information. The result is a clear, accurate, and on-demand view of everything from sales and order status to inventory levels and beyond. And the good news is that a WMS doesn't need to break the bank. Even small and mid-size businesses can leverage the same levels of sophistication as Tier 1 distributors.

"With regard to inventory management a WMS connects all tracking functions from raw materials through finished goods," explains Dave Tamburrino, Director of Customer & Business Development for WMS solutions provider, FASCOR (www.fascor.com). "However, in today's integrated warehouse and distribution environments it's difficult to segregate inventory from the other supply chain functions. All areas, regardless of the tools being used, must become a part of a well-choreographed process feeding and updating information at every stage," said Tamburrino. "This is the true benefit that a WMS delivers."

Due to the widening variety of systems and processes found in the wild, many reporting solutions fail to deliver cost-effective insight into the day-to-day movement of inventory – especially without going through an expensive and often-painful process to integrate the reporting system with existing systems. FASCOR WMS helps resolve inventory issues before they become productivity blockers. Automatic alerts to low stock levels and allows quick decisions to be made in response to KPIs and changing conditions throughout the supply chain. Furthermore these Cloud-based applications run on mobile devices allowing sales associates on the retail floor, for example, to generate real-time inventory updates and initiate replenishment.

Conclusion

Across the supply chain, information is king -- but only if that data is easily accessible, timely and dependably accurate. Today advanced Warehouse Management Systems functionality is available to warehouses, distribution centers, manufacturers, and retailers of all types and sizes. A WMS synchronizes all areas of the supply chain and ensures that inventory will continue to flow. Leverage best practices and incorporate a WMS and your warehouse floor will be anything but silent.