

Three Steps to Improving Your Bottom Line with Better Inventory Management and Control



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Are you carrying more inventory than you need, just to be safe?

Do you create Invoices for inventory that you don't actually have on-hand?

Have you lost customers due to inaccurate inventory data?

Are you uncertain about where some (or most) of your inventory is currently located?

Do you have a way to deal with inventory obsolescence?

Are you experiencing inventory shrinkage?

Does duplicate data entry drive you crazy?

If you answered “yes” to any of these questions, your business can better manage and control its operations with more effective inventory management tools. This paper outlines a three-step approach to improving your inventory management and warehouse operations.

Step #1: Document Gaps or Weaknesses in Your Inventory Management

Savvy manufacturing and distribution companies realize that how well they control inventory and track the flow of stock into and through their warehouses can make or break their business.

Despite this realization, many manufacturers and distributors face stock shortages and overages, shrinkage, obsolescence, operation disruptions, purchasing problems, and difficulty picking and packing shipments. The following examples illustrate what can go wrong when a manufacturer does not have the right inventory management tools to fit its needs.

A maker of emergency transport equipment receives an order from a large customer. They commit to delivering the products because they “think” they have enough raw materials at one location to make the products; however, when going to production, they find out they are short one component at that location. They will have to transfer inventory from one location to another, delaying the delivery to the customer. This unexpected delay is potentially a deal breaker. In the meantime, they have too many of some components (overage) and not enough of others (shortage) at different locations. All these missteps could have been prevented with proper inventory control.

Another example is from a distributor of children's toys. When the toy maker recognized that shipments of trains included lead, it recalled certain serial and lot numbers. Unfortunately, the distributor had incomplete records of which customers received these recalled products and had to spend long hours tracking down the information before contacting its customers about the recall.

For many manufacturers, picking and shipping products takes more time than warranted. The warehouse staff stores inventory

as meticulously as possible, but they don't have a reliable, rigorous process for tracking where the inventory is located. Instead, they rely on memory and past experience. Sometimes this loose methodology serves them well. Other times, it's like a scavenger hunt that wastes valuable time.

These types of operational breakdowns are not unusual among manufacturers and distributors. Many small to mid-sized companies are doing the best they can with spreadsheets or simple inventory tracking applications. They have used this process for years; it's kind to the budget; and it's familiar to the staff. With a few minor adjustments, though, they can introduce advanced inventory management features that will kick their business into high gear.

Step #2: Learn What is Possible with Better Inventory Software

Gaining a tighter grip on your inventory doesn't have to mean purchasing an expensive supply-chain management application. Manufacturers and distributors can achieve considerable benefits from inventory management applications that include these must-have features:

- Inventory tracking across multiple warehouses
- Inventory tracking in different locations within one facility
- Ability to track the unique serial or lot numbers of different inventory items
- Ability to read and store bar codes

Manufacturers and distributors that support multiple warehouses or a single warehouse need to accurately track their inventory. Having real, or near real-time, information about stock quantities and locations reduces stock-outs and improves customer fulfillment. Understanding where inventory is stocked—and how much is available—means you can quickly and reliably tell customers about product availability.

Inventory is intrinsically tied to a company's finances. Having too much—or too little—inventory tips the delicate balance and affects the all-important bottom line. Too much inventory reduces a business' cash flow. Too little can hurt order fulfillment and, eventually, customer satisfaction.

Avoid Stock-outs

No one wants to tell a customer who is ready to buy that the item is out of stock. To be on the safe side, manufacturers will overstock to prevent stock-outs. Stock overages also crop up when a product line is discontinued, leaving the manufacturer with inventory that can't be moved or must be sold at a greatly reduced price. Without a reliable, accurate process for tracking inventory in the warehouse or across multiple warehouses, manufacturers can be left with too much stock on hand—which can strike a blow to profitability.

Inventory management tools give the Purchasing Department the information they need to order inventory when it reaches the minimum level, thereby preventing both stock-outs that disappoint customers as well as overstocking that affects revenue streams.

Manage Warranty Claims and Product Recalls

Serial numbers and lot numbers contain critical information for manufacturers and distributors. These unique numbers are assigned to individual items or groups of items, and they help manufacturers and distributors track inventory as it progresses through the supply chain.

By tracking the serial and lot numbers of the inventory they hold, businesses can improve customer service and minimize risk. For example, after a product recall, warehouses that track their stock by serial or lot number can use the serial and lot numbers to find and notify customers who have purchased the recalled products. This information also comes in handy for questions about warranties. When customers return products they claim are under warranty, sellers can quickly check the products' warranties. This valuable information eliminates unnecessary warranty payments.

Save Time and Reduce Errors

The easiest method to collect serial and lot numbers is with bar-code scanners. These handheld scanners read the bar codes on boxes and pallets as they enter the warehouse and transmit that information to the inventory management system. Manufacturers and distributors scan the bar codes on boxes and pallets to understand stock activity from the time it arrives at the warehouse to when it ships. Bar-code information records the item type and amount, plus it can detail where the inventory is located in the warehouse. Having easy access to this information makes shipping and packing easier, and it makes cycle counts readily available.

Bar-code tracking also takes care of the tedious (and potentially error-filled) manual entry of the numbers and letters assigned

to each stock item. And it saves more time during picking/packing and counting inventory. Instead of employees spending hours physically counting stock and manually inputting data into spreadsheets, they can use bar-code tracking. Bar-code tracking helps business owners keep critical inventory information accurate and readily available.

Step #3: Consider QuickBooks Enterprise Solutions Plus Velocity Inventory

QuickBooks Enterprise Solutions has teamed with Velocity Software to offer distributors and manufacturers advanced inventory management features at a reasonable price. Distributors and wholesalers can now add an advanced inventory management module, Velocity Inventory for QuickBooks Enterprise Solutions. This integrated, add-on solution for QuickBooks Enterprise Solutions can be launched and accessed from within the Enterprise Solutions interface, just like any other built-in feature.

Velocity Inventory for QuickBooks Enterprise Solutions gives product-based businesses the ability to manage inventory across multiple warehouses and in locations within each facility, track serial and lot numbers, and utilize bar codes. The best part of this offering is the robust connection between Velocity Inventory and QuickBooks Enterprise Solutions. Velocity Inventory integrates seamlessly with QuickBooks Enterprise Solutions 8.0, allowing users to manage both their inventory and their business finances from the familiar QuickBooks interface.

Velocity Inventory extends inventory management capabilities while retaining the key capabilities of QuickBooks Enterprise Solutions. The Sales Orders and Purchase Orders you create in QuickBooks Enterprise Solutions are the central hub for managing inventory through Velocity Inventory. When you record sales and purchasing information in QuickBooks Enterprise Solutions, the data is transferred seamlessly to Velocity Inventory. This is where the process of receiving the purchase orders and picking the stock for sales orders begins.

The following section explains in detail how QuickBooks Enterprise Solutions and Velocity Inventory work together to help you manage your business.

Velocity Inventory is launched from the QuickBooks Enterprise Solutions Company menu just like any other Enterprise Solutions feature, and it runs within the Enterprise Solutions browser (see *Figure 1, page 6*). The Velocity Inventory interface includes:

1. Sales Orders
2. Purchase Orders
3. Inventory
4. Reports

For screenshots that highlight the Velocity Inventory interface and features, see the appendix on page 6.

The Sales Order menu shows you the customer orders that were created in QuickBooks Enterprise Solutions and imported into Velocity Inventory. From this menu, you can:

- Find sales orders by order number, customer, or status
- Sort sales orders by customer name, creation date, or totaled ordered cost
- Select orders to be released to the warehouse
- View available inventory
- Print pick tickets
- Transfer orders to another warehouse
- Create a packing list
- Pick and ship orders and decrement inventory

The Purchase Order menu is the starting point to process Purchase Order receipts for orders created in QuickBooks Enterprise Solutions and imported into Velocity Inventory. From this menu, you can:

- Locate purchase orders by order number, vendor, or status
- View purchase order details, such as vendor, items, order date, orders received, remaining quantities, or receipts processed
- Transfer purchase orders to another warehouse for receiving
- Process receipts and increment the on-hand inventory quantities

The Inventory menu allows you to access rich inventory features. From the Inventory menu, you can:

- Search for inventory by item, location, or general information
- View item numbers, descriptions, quantities on hand, quantities unavailable, inventory location, received dates, or lot/serial numbers
- Perform cycle counts and physical counts
- Add inventory

Sales Order and Purchase Order Workflow Between QuickBooks Enterprise Solutions and Velocity Inventory

HOW THE SALES ORDER MOVES FROM ORDER TO CASH

Enter Customer Sales Order in QuickBooks Enterprise Solutions

- A sales representative creates a customer's Sales Order in Enterprise Solutions.
- Enterprise Solutions automatically sends the Sales Order to Velocity Inventory.

Create Pick Ticket, Pick Product, and Confirm Shipment in Velocity Inventory

- At the warehouse, the warehouse manager creates pick tickets for orders using Velocity.
- The warehouse personnel use the pick list created in Velocity to pack and send the shipments.
- Warehouse manager updates Velocity by confirming that the product shipped.
- Velocity automatically updates the Sales Order, creates the Invoice, and updates the amount of inventory on-hand—all within Enterprise Solutions.

Send Customer Invoice from Enterprise Solutions

- Accounting sends the Invoice to the customer using the preferred method in Enterprise Solutions.

HOW THE PURCHASE ORDER MOVES FROM PROCUREMENT TO PAYMENT

Create Purchase Order in Enterprise Solutions

- Buyers place orders with vendors and provide warehouse delivery information.
- Buyers enter Purchase Orders into Enterprise Solutions.
- Enterprise Solutions automatically sends Purchase Orders to Velocity.

Track Shipments at Warehouses in Velocity Inventory

- When shipment arrives at warehouse, warehouse personnel enter items into Velocity, including shelf/bin locations and serial/lot numbers.
- Inventory locations are updated in Velocity.
- Velocity automatically creates a Receipt against the Purchase Order in Enterprise Solutions, which adjusts the amount of inventory on-hand.

Pay Vendor Bill from Enterprise Solutions

- Accounting receives bill from the vendor and matches the Receipt in Enterprise Solutions against the packing list.
- Accounting enters the bill in Enterprise Solutions
- Accounting pays the bill using the preferred method in Enterprise Solutions.

- Put inventory on hold
- Track inventory by location
- Adjust inventory for cycle counts and physical inventories
- Move inventory from one location to another within the same warehouse
- Transfer inventory from one warehouse to another

The Reports menu includes a submenu of reports that will be categorized as they become available. For example, the Stock Status Report shows you by warehouse what you have on hand, what is already reserved, and the resulting available quantity that you can ship.

The Inside Scoop on Velocity Inventory

Velocity Inventory for QuickBooks Enterprise Solutions helps distributors and manufacturers manage and control their inventory so they can enhance their cash flow and improve the bottom line while keeping high customer fulfillment rates. Intuit chose Velocity Software because the company is a respected expert on warehouse automation and a leader in inventory functionality. This best-of-breed solution was designed to work exclusively with QuickBooks Enterprise Solutions 8.0 and offers a low cost of entry while delivering an impressive set of features and functionality.

The combined platforms allow distributors and manufacturers to:

- Accurately manage inventory across multiple warehouse locations
- Manage inventory within specific locations in each warehouse
- Track inventory by serial and lot number
- Read, scan, and store bar codes for picking/packing and inventory counting

One other important feature is that Velocity Inventory is a Web-based application. As Web-based software, Velocity Inventory offers the advantages of reliable anytime, anywhere access. Soon, the use of Web-based software, often referred to as Software as a Service (SaaS), will be well accepted within small and mid-sized businesses because of its ease of use, flexibility, and lower Total Cost of Ownership (TCO).

As a Web-based offering, the Velocity Inventory application resides on the Velocity Software servers rather than at your site. Velocity Software is responsible for managing and maintaining the software, which means your IT team does not have to deploy the software, perform software updates, or troubleshoot. Users of Web-based software like Velocity Inventory have reported that these benefits contribute to an overall decrease in TCO.

Another benefit of the Velocity Inventory module being Web-based is that warehouse personnel or other employees can easily access its inventory features and functions directly from a Web browser—even if they don't have a license to QuickBooks Enterprise Solutions. This flexibility ensures that the business finance data is secure and unavailable to employees who do not need access

to QuickBooks Enterprise Solutions. You can also integrate your inventory operations with those of suppliers and contract manufacturers, without giving them access to your QuickBooks Enterprise Solutions company file.

Web-based software and the SaaS model are changing the way information technology is purchased, delivered, and used across all sectors and applications. Market leaders such as Google and Salesforce.com have prompted major software providers including Intuit, Microsoft, Oracle, and SAP to pursue the SaaS model. These software giants are changing their models, because customers recognize that the true acquisition cost of the solution is only the tip of the cost-of-ownership iceberg.

The traditional client-server, perpetual license model carries a very high cost of ownership—something usually unnoticed. The TCO on this traditional software can include capital expenditure for the acquisition, implementation, integration, servers, storage, back-ups, administration, operational downtime, IT staff, and annual maintenance. The Web-based, on-demand model eliminates these hefty costs.

Under the Web-based software model, Velocity Software is responsible for ensuring that the application is reliable and available to your users. However, if you have questions about Velocity Inventory, you call Intuit for answers. Intuit provides technical support for Velocity Inventory. The QuickBooks Enterprise Solutions support team thoroughly understands Velocity Inventory and will help you implement and use all its inventory features successfully.

Take the Next Step

This paper's goal is to help distributors and manufacturers better understand the challenges of and the solutions for inventory management. It covered three major inventory management topics.

The first section looked at the different types of inventory gaps and oversights that can occur when distributors and manufacturers do not have the right tools for managing and controlling their inventory.

The second portion of the paper explored the advanced inventory management features that allow distributors and manufacturers to better manage and control their inventory.

The final section of the paper described how QuickBooks Enterprise Solutions 8.0 and Velocity Inventory can help distributors and manufacturers improve inventory management and increase their bottom line.

For more information about inventory management and Velocity Inventory for QuickBooks Enterprise Solutions, visit <http://www.qbes.com/velocity> or call **1-866-272-8735**.

About the Author

Mario Nowogrodzki is the founder and principal of Mendelson Consulting, a full-service IT and accounting software consulting firm based in Pembroke Pines, Florida. Mario has worked extensively with small and mid-sized business across several industries, including many with complex inventory and warehouse management needs. Mario is a CPA, CITP and a pilot member of the Intuit Solution Provider program. Visit Mendelson Consulting at www.mendelsonconsulting.com



Appendix

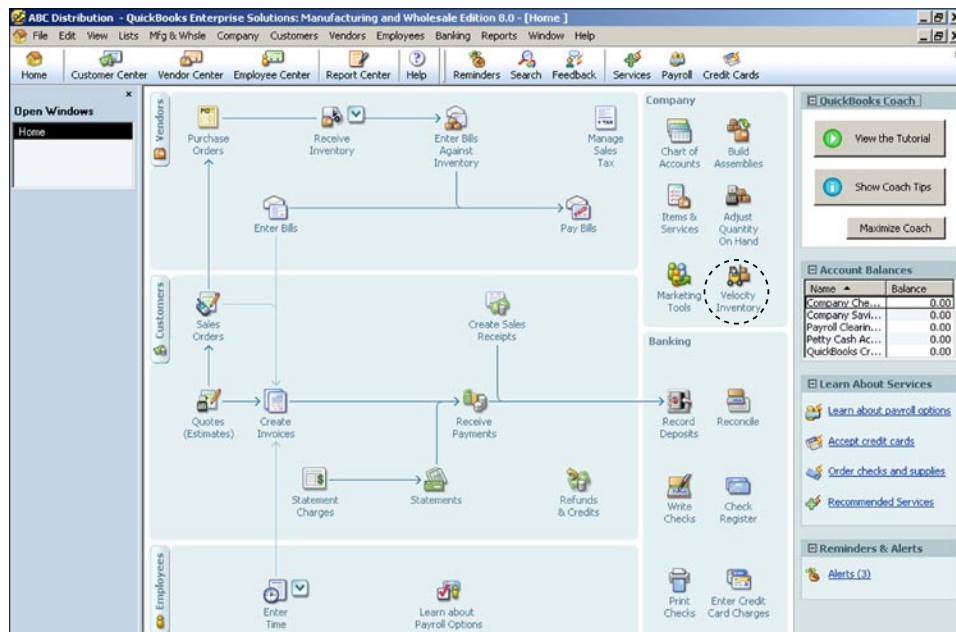


Figure 1. Velocity Inventory is launched from the QuickBooks Enterprise Solutions Company menu just like any other Enterprise Solutions feature, and it runs within the Enterprise Solutions browser.

Appendix

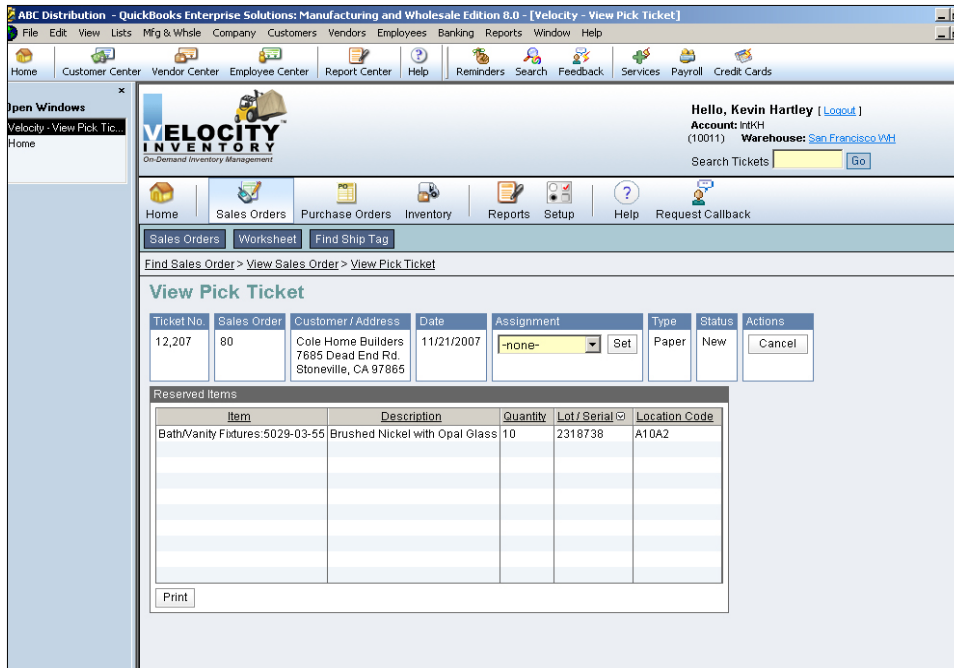


Figure 2. View and print pick tickets from the Sales Order menu

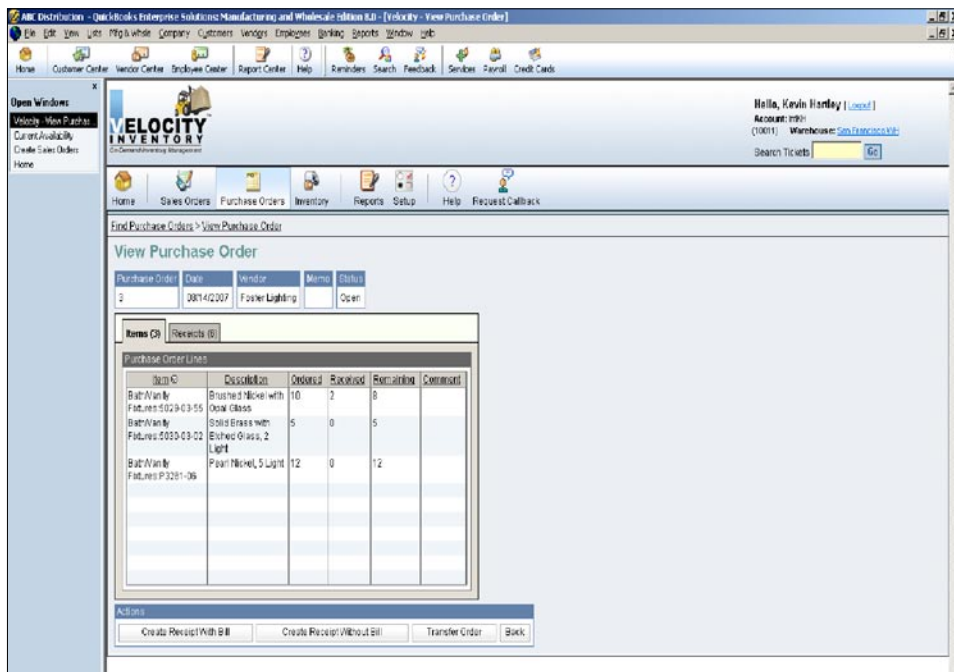


Figure 3. View purchase order details, such as vendor, items, order date, orders received, and remaining quantities from the Purchase Order menu.

Appendix

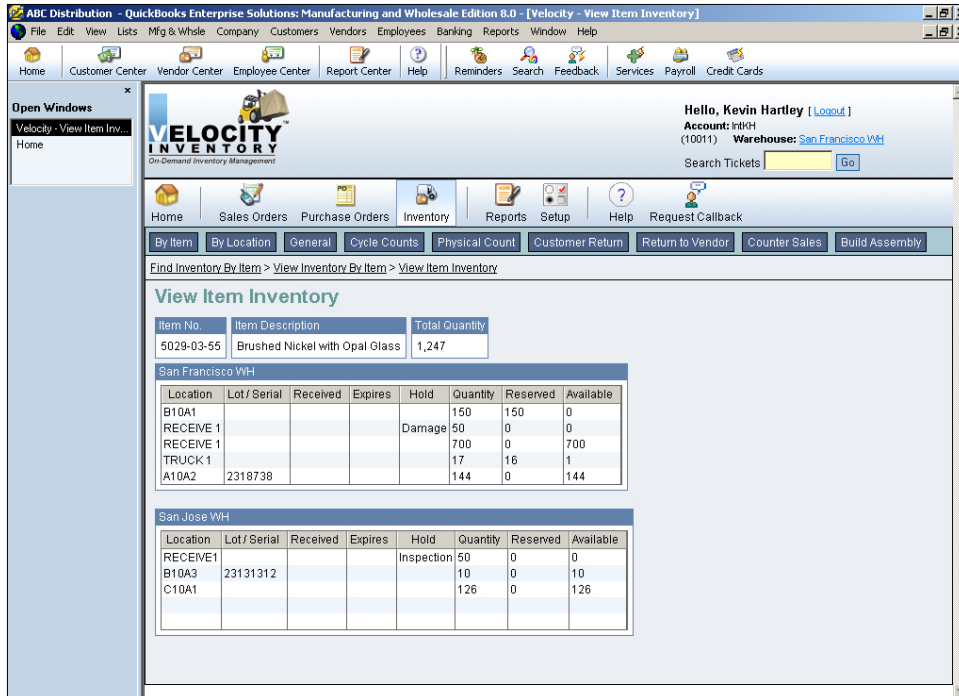


Figure 4. View item numbers, descriptions, quantities on hand, quantities unavailable, inventory location, received dates, lot/serial numbers from the Inventory menu.

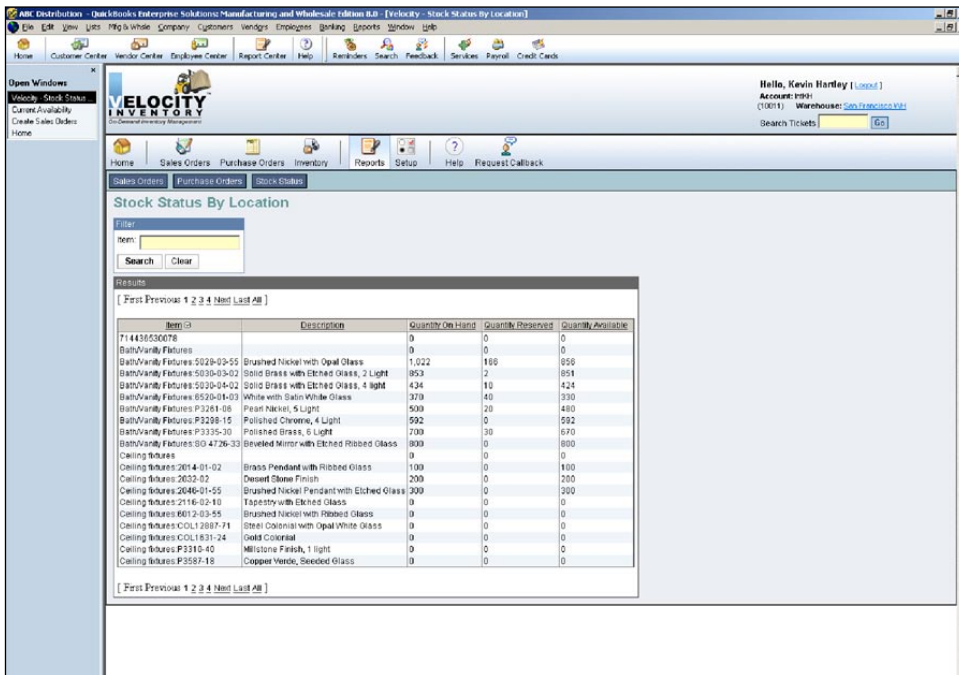


Figure 5. Stock Status Reports can be viewed from the Reports menu.