How Inventory Control Can Benefit Your Business

An ACCU-DART White Paper

"Some effects of inaccuracy can be quantified easily (e.g. the extra delivery costs for supplying when a shortage is discovered). Some are much more difficult, but can be guessed at (e.g. the loss of business due to customers losing confidence in stock availability when records are bad)."[i]

Do you need to know precisely what is in your warehouse at all times? Are you wasting valuable time manually entering data into your accounting system? If so, your business could benefit from implementing an inventory control solution to improve inventory accuracy, simplify work processes, and save valuable time and money.

This paper's objective is to examine the various ways your operations will improve by implementing an inventory management system, and to examine what to look for when choosing a solution for your business.

Improve Inventory Accuracy

Maintaining accurate inventory levels affects several areas throughout the organization. In addition to improving operations in the warehouse, stock levels affect purchasing, restocking, sales, and more.

For example: In this highly competitive climate, one of our clients noted that it was imperative to know when stock had been received in the warehouse. If a customer called to place an order, the sales staff would check inventory levels. If the item was out of stock, the client would simply buy elsewhere. They needed to know the moment inventory was received in the warehouse in order to retain their customers.

Additionally, in most organizations, the purchasing department will often check the system to verify stock levels before ordering more products. Having accurate inventory at all times allow this department to make smarter decisions

Shipping the Right Goods to the Customer, the First Time.

If you ship the wrong goods to your customers, your business may incur many additional costs: first, the mistake needs to be fixed, usually by resending the correct item – at your cost. This also usually includes paying additional freight charges. Labor-costs increase both in the warehouse and at the customer service desk, as they process the return and reshipment. You may also lose long-term business by decreasing customer satisfaction. In addition, shipping the wrong goods leads directly to inaccurate inventory levels, which can cause a loss of sales and poor purchasing decisions, all of which affect profitability.

By implementing an inventory control solution that verifies the correct items are being shipped, you prevent errors from being made.

The first step to improving inventory accuracy is implementing the use of bar codes. Without bar codes, the warehouse staff manually record the item details for each transaction, which are then separately entered into the accounting system.

Using bar codes to scan the items for each transaction ensures that the correct information is recorded – preventing mistakes in both shipping and data entry.

But what happens when the warehouse employee accidentally grabs the wrong item?

These types of errors can add up to inventory information that is completely out of sync with the actual stock in the warehouse.

By using bar codes to scan the items for each transaction, you are ensuring that the correct information is recorded – preventing mistakes in both shipping and data entry.

According to one study: "bar code users report $16,000 more (or 11 percent better) in sales per employee over non-users, fewer rejection and rework, and about 10% better return on investment. Additional comparisons…reveal that significantly more bar code users report decrease in manufacturing costs and cycle time. Thus, on five vastly different measures, bar code users are reporting superior performance over nonusers. This should be taken as rather strong evidence that bar code users are indeed reaping benefits from the use of this technology."[iii]

Real-Time Updates

The second step to improving inventory accuracy is operating in real-time.

When scanning bar codes for each transaction, your inventory management system should verify that the information is correct and post the transaction in real-time. This allows for the most accurate and up-to-the-minute information.

Scanning, verifying, and updating information in real-time will help improve accuracy throughout the organization.

Some inventory management systems offer a "batch" style solution. In many of these systems, the transaction data is uploaded to the wireless scanners. The warehouse staff then process the transactions, and then later sync the information on the handheld device. If an error is made while scanning, the system cannot verify it until after the handheld is synced with the system. This can lead to inaccurate data or less timely information.

By scanning, verifying, and updating in real-time, your inventory management system will help improve accuracy throughout the organization.

Serial Numbers and Lot Tracking

Inventory accuracy is particularly important when tracking serial and lot numbers. Manually recording serial and lot information can lead to numerous inaccuracies.

For example: If the warehouse staff are shipping out as few as 10 serialized items, they start by writing down each serial number for each item being shipped. After the order is completed, the paperwork is brought to the order desk where it is entered into the accounting system. If there are any mistakes in recording the numbers, it is too late to fix it: the items have already shipped. Very often, the office staff then grab another serial number to "take its place". Mistakes like this can happen often, and can compound into large-scale inventory problems

Tracking serial or lot numbers is most effective with an inventory management system in place.

By scanning the bar codes for serial and lot information, you ensure that the most accurate information is recorded, and by updating in real-time, you can verify that the correct items are being used for each transaction.

Simplify Work Processes

Implementing an inventory control solution can help to simplify work processes within your organization, leading to improved efficiency and productivity.

Without an inventory management system, your staff may not be operating efficiently. The way information passes from one employee to another wastes valuable time, and leaves room for mistakes to occur. Staff may forget to record a serial number, ship the wrong goods to a customer, or move items around the warehouse, making it difficult for other employees to find the goods they need.

By incorporating an inventory control solution, you create a standard set of practices to handle every inventory transaction.

For example: One of our clients has made it a policy to handle all inventory transactions through our system. Every person in the warehouse is equipped with a radio-frequency scanner, and every single item is scanned and recorded for each transaction. This structure simplifies work processes throughout the warehouse, making each employee more efficient.

When the power to post transactions to the accounting system originates in the warehouse as transactions are being completed, operations in both the warehouse and office are streamlined and simplified.

Direct Integration

Simplifying operations also applies to the implementation and set-up of a given inventory control system. By incorporating a solution that integrates *directly* with your accounting system, inventory information is updated directly – there is no separate database to install or maintain.

Some inventory management systems rely on a separate database that communicates with the accounting system to process transactions. However, if an error occurs, reconciling the two sets of data can be extremely time-consuming and frustrating.

Solutions that incorporate a separate database can also affect the way

the office staff process transactions. A completely separate system requires separate training for both the warehouse and office staff, and often means that inventory transactions can ONLY be processed by the inventory control solution.

By implementing a system that provides direct integration, all transactions are posted directly in the accounting system. The office staff can continue to use the accounting system and are often able to process inventory transactions as they used to.

Save Time and Money

Perhaps the most important way your business will benefit from an inventory management solution is to save time and money.

For example: one client of ours discovered that "it has saved 2-3 hours of work each day". Overall the time it took to ship orders has been cut by 50%.

Again, without an inventory management system, countless man-hours are wasted manually recording what items are used for each transaction, delivering these forms to the office, and then manually entering the data into the accounting system.

By incorporating a system that updates in real-time, activities are processed at the source in the warehouse, virtually eliminating the need to manually enter data. As soon as the warehouse employee posts the transaction, it is automatically updated into the accounting system. This saves time both in the warehouse and in the office.

For example: one client of ours discovered that "it has saved 2-3 hours of work each day". Overall the time it took to ship orders has been cut by 50%. In addition, they previously had one person entering shipments and invoicing orders, a job which took them all day. This clerical effort has also been reduced by 50%. They are now able to do more productive work for the company.[iv]

In addition, scanning bar code labels is infinitely faster than manually writing down information. This, combined with real-time posting, allows the warehouse staff to work more efficiently and quickly.

One of the keys to making inventory control save time and money is updating in real-time. This ensures that the most accurate information is recorded for each transaction as they occur in the warehouse, leading to faster processing times, improved sales & purchasing decisions, and more efficient employees.

For example: a client of ours has discovered that by implementing a real-time inventory control solution, they have significantly improved warehouse efficiency. They are now doing more business with the same staffing levels, resulting in higher profits for the company.

Choosing an Inventory Control Solution

Finding the right inventory control solution for your business is crucial to improving operations. Some of the features that may be important to

consider while evaluating different inventory management systems include:

Functionality

It is important to find a solution that offers the functionality you need to operate your business effectively. Many inventory management systems offer "packages" which include a set group of functions. With these solutions, you must pay for all the functions in the package, regardless of whether you need the functionality or not. This can also increase the overall cost to your system, because you are paying for modules you don't need.

Other inventory management solutions offer modular systems – you purchase each function by module. This way you only pay for the functionality you need, which can lead to significant savings.

It is also important to look for a solution that grows with your business. While you may only need limited functionality now, your inventory management solution should allow you to upgrade or purchase new functionality as you need it.

Fit your Unique Needs

Every business is unique and has their own specific needs.

Everyone's business is unique, with their own set of specific requirements. In many cases, implement a product right "out of the box" will not solve all your business problems.

If your business has unusual or specific needs, you will want an inventory management solution that can be customized to fit your requirements.

Implementation and Hardware

802.11 radio-frequency scanners can be easily implemented to an existing WiFi network. Access points can have a limited range in a warehouse.

900 MHz radio-frequency scanners have a larger range per base station, are easier to implement, and are therefore more affordable.

There are two basic types of radio-frequency scanners available for inventory control: 802.11 or 900 MHz. The 802.11 system works with a WiFi network. Easily implemented to an existing WiFi (intranet/internet) networks. Access points can have a limited range in the warehouse. However they can allow users to work remotely (eg: via cellular devices) or within a secure internal network. 802.11 devices that integrate with software like Windows Mobile offer virtually limitless hardware options. The 900 MHz hardware operates similarly to a cordless phone. Each base station has a radius of up to 3 miles[v] Implementation of this hardware can be as simple as plugging the base station into a computer and setting user preferences on the RF terminals.

RFID (Radio-Frequency Identification) is gaining popularity in the public eye. We will not go into details of the technology or benefits here, but will say that at this time, RFID is still a very expensive option for many small to medium businesses. Where RFID tags can cost at least $0.07 each[vi], standard bar code labels for RF readers can be printed on any regular printer, so the cost is negligible.

Between hardware installation, software set-up and user training, some inventory management systems recommend up to a week for implementation. Others can have your business up and running in a

matter of hours.

The sooner you can improve efficiency with an inventory management system, the more profitable you will be.

Why ACCU-DART is a good fit for your business

"In today's economy we have to be better than before, with less people, fewer customers and tighter budgets, just to stay in business. Decisions should only be made based on accurate and timely information. Sage Accpac and ACCU-DART allow me these luxuries."

- Highfield Holdings Inc.[ii]

ACCU-DART is a real-time inventory control solution, designed to integrate directly with Sage Accpac ERP, Sage Pro ERP, and AccountMate. Using radio-frequency scanners, ACCU-DART allows the warehouse staff to instantly and easily update the accounting system, ensuring that all users throughout the organization have the most up-to-date information.

ACCU-DART is 100% modular. Each feature is priced as an individual module, making it easy to purchase the exact functionality you need. Our product offers a large collection of modules which provide essential functionality for your business. We can also customize the software to fit your unique needs. ACCU-DART is also quick and easy to install, allowing you to get up and running quickly.

ACCU-DART will help your business improve inventory accuracy, simplify work processes, and save time and money, allowing your business to become more profitable.

For more information about ACCU-DART, please visit www.accu-dart.com.

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[i] Tony Wild, Improving Inventory Record Accuracy – Getting Your Stock Information Right; (Butterworth-Heinemann, 2004) 18.

[iii] Paul M. Swamidass PhD, "Bar Code Users and Their Performance," Unova (Auburn Univeristy, July 1998) 5. http://www.idii.com/wp/intermec_bc_rpt.pdf

[iv] George Kassai, K & K Accounting Systems Inc, Email INTERVIEW (28 June 2007).

[v] "7001 RF Terminals," Worth Data Hardware. http://www.barcodehq.com/7001rfterminals.html

[vi] "FAQ", RFID Journal. http://www.rfidjournal.com/faq/20/85

[vi] Debbie Breuls, Bredet Services Inc, Email INTERVIEW (23 January 2009).