



WHITE PAPER: Analyze your inventory processes to find solutions for controlling inventory quantity, making accurate counts, reducing lead time and more.

Proper inventory management seems simple: have enough supply on hand to serve your clients. But the balance can be a delicate juggling act as demand can increase or wane at a moment's notice. Maintaining that even flow goes a long way to keeping your business in good health and your customers satisfied.

At MPW, we enjoy the art of inventory management. No detail is too small or seemingly insignificant and every process requires scrutiny to ensure that all areas of an operation are pumping to peak efficiency. We can train personnel on the latest practices and methods or our experts can analyze your inventory process – from receiving, stocking, counting and auditing to order processing, shipping and delivery – to help your business run more smoothly and hit its targets.

To give you some guidance, we've collected a few common inventory management issues and presented possible solutions.

What happens when you've overestimated and possess too much inventory?

The easiest solution — but not necessarily the most inexpensive solution — is a warehouse or acquiring additional storage space if your facility's capacity has been reached. Having too much material on hand can hinder your financial flexibility and capital fluidity, but if your materials have a fairly long shelf life, the need to mark down the sale or services that accompany that product is not as great. If the situation is more serious, are you able to sell some of the supply to other businesses or liquidators? What about overseas businesses?

Are inaccurate counts becoming too common?

Barcode scanning and electronic data exchange (EDI) are common to tally inventory. If you are currently using these methods, enact a schedule of double-checks (or "cycle counts") where hard counts are matched against the database. This kind of redundancy can provide more protection against overextension, particularly on items that are moved in and out of inventory frequently or in large shipments.

What about lead time?

Lead time is the amount of time it takes to reorder inventory. Things like supply delay and reorder delay can expand your lead time and create moving targets that can create havoc with your inventory. Uncontrollable factors like weather can exacerbate those aforementioned issues, as well.

So what determines optimal frequency and balance of ordering or producing products? A Wall Street Journal article on inventory management suggests that for effective inventory planning, marketing and sourcing can play roles so creating a cross-functional team may be a way to set production and ordering schedules. They can use a sales and operations planning process that can determine lot sizes and reduce replenishment stock by 50 percent. Over time, reports can be generated to understand how long it takes to replenish and deliver.

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A chain is only as strong as its weakest link. So how can we strengthen that chain?

When it comes to inventory, saying “we’re all in this together” is quite truthful. Use that reality to include your vendors and clients to help avoid irregular inventory situations. You can do this by creating standard operating procedures (SOP) that utilize compliance policies. These policies can include shipping guides, packaging and stock instructions, product sheets, billing forms, deadline implementations and cross-functional liaisons to maintain lines of communication. SOPs can create stability and can quickly identify and remedy issues before they become major problems.

To prevent throwing your hands in the air, maybe it’s time to move your process into the air ... i.e. the cloud?

Yes, it’s time especially if your business spans different time zones or countries and continents. Having shared systems is one thing, but having those spreadsheets and databases operating on real-time technology can cut down on the chances of having an inventory shortage that leads to lost business. It also allows for more handheld device integration to increase your company’s agility.

Finally, is your inventory management still falling short of expectations?

Sometimes, businesses that are accustomed to doing things a certain way for a long period of time can fall prey to comfort and familiarity. Advances in technology and adoption of new practices can bypass companies that may be set in their ways. While tried-and-true methods may gain a level of success, having an outside expert or neutral party observe and recommend possible improvements can lead to immediate benefits and sustainable growth.