WHITE PAPER:
Wholesale Distribution Inventory Management

Inventory Control vs. Inventory Management

In today's competitive business environment, wholesale distributors are under constant pressure to increase efficiency, customer satisfaction and profit margins while adapting to changing business models. Maintaining inventory accuracy, achieving optimal stock levels and reorder points, and determining profitability are just some of the demands challenging wholesale distributors.

In distribution terms, there is a difference between inventory control and inventory management. Inventory control involves knowing what, where and how much inventory is on-hand in a store, stockroom or warehouse. Inventory management includes inventory control, plus involves all activities surrounding effective sourcing, forecasting and replenishment in every stocking bin, location or warehouse.

Examples of instances where effective inventory management boosted a company's bottom line:

- Created an instant Bill of Materials (BOM) using item number or style configurations. This allows inventory tracking at the component level, which eliminated the steps required to select, build and track BOMS manually.

- Activated Accrued Received Goods, which allows accurate inventory values, on-hand inventory balances and financial reporting. As a result, the steps required to research, resolve and post adjustments to the General Ledger Inventory, Cost of Sales and Inventory Adjustment Accounts were eliminated.

- Created conversion ratios which converted units-of-measure from feet to cartons (pre-finished materials) or wrapped bundles (unfinished materials). This automated conversion process saves valuable company resources by eliminating manual calculations, order entry errors and inaccurate inventory levels, and ultimately increases customer satisfaction.

Common inventory-related challenges include:

- Excess inventory and dead stock leading to decreased turnover and profitability
- Stock outs which results in backorders, lost sales and decreased customer service
- Discrepancies between on-hand computer levels and shelf stock
- Invalid shelf placement

Specialized inventory management or distribution software systems integrate technology, efficiency and performance with company goals. Having a systematic process for controlling inventory and achieving effective inventory management will dramatically improve a company's overall operations.

Cost Methods – Inventory can be assigned a cost method, such as Average, FIFO, LIFO, Specific ID, Average with Serial Number, Standard Cost, Standard Cost with Specific ID, and Standard Cost with Serial Number insuring Generally Accepted Accounting Principles (GAAP) compliancy.

Serialization and Lot Tracking – Items can be tracked by lot or serial number, which helps improve quality by providing an audit trail to the source purchase or work order.

Inventory Units and Types – Different units-of-measurements for inventory stock, purchase or sale items allows warehouse manufacturers the flexibility to maintain and transact inventory complying with product packaging or vendor unit group requirements. Warehouses, bins, units-of-measurements, cost methods, revenue codes, lots, kits and item specification settings can be pre-assigned to an inventory type, which become defaults when creating inventory items assigned with the inventory type. Both features help reduce data entry time and errors.

Inventory Transfers – Repackaging inventory items into smaller or larger units-of-measure and transferring items from one bin, location or warehouse to another, either individually or in groups, offers additional inventory control.

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Inventory Items – Mass copy of comprehensive inventory records including but not limited to the item numbers, descriptions, units-of-measurements, assigned revenue codes and General Ledger account identifications from one company to another company, or to a warehouse in the same company, simplifies setting up inventory item records.

Physical Counts – Inventory counts can be performed at any time and as often as needed. They can be conducted without interrupting shipping, receiving, or any other inventory processes. Recording transactions that affect inventory while a physical inventory count is taking place ensures that business operations continue without halting production.

Reporting Capabilities
Comprehensive reporting capabilities help companies organize and analyze production information such as item pricing, stock status, detailed sales history, backorder information, reorder points and recommendation, valuation, turnover, sales analysis, and much more. Monitoring real-time production data equips wholesale distributors with essential business insights that help to identify opportunities for improving overall business performance.

Industry Specific Third Party Applications
Independent software solutions provide industry specific vertical solutions. With source-code availability, independent software developers can integrate specific third party industry solutions that complement the functionality of the financial business solution or distribution software system. Some examples of these offerings are job costing, manufacturing, real-time shipping status, radio frequency and bar coding technologies.

Most of these vertical solution products are tightly integrated with the business solution software so data transfer is in real-time without having to re-key data entry.

Achieving Optimal Stock Levels
Knowing what to stock or build to meet customer demand is a critical business decision. Too much stock can result in lower profit margins, high inventory carrying costs, and excess damage if a stock remains in-house too long. Stock shortages can be worse. Customers may choose to contact a competitor if they cannot get what they want when they need it. Forecasting can help accurately predict what customers will buy, reducing inventory carrying costs of unwanted goods and achieving optimal stock levels.

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