

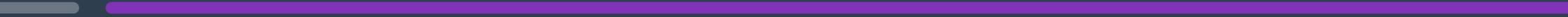
# 5 strategies for effective inventory management



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## **The right goods, the right price, the right time**

Inventory represents both a current investment and future income. That's why, for wholesale, manufacturing and distribution businesses, effective inventory management is crucial.

But it's not always a simple task. Balancing stock levels, inventory control, order processing and replenishment can be an ongoing

challenge. Not only do you need the right level of stock available when customers want it, but you also need to know where every item is at all times

There are no shortcuts when it comes to managing such a critical resource – but there are strategies and tools that can help minimise inventory issues and maximise growth.

## **Why inventory matters**

At its heart, inventory management is about keeping your customers happy. After all, your business wouldn't last long without them.

Effective management means knowing exactly how much inventory you have, where it's located and when to replenish supplies. This lets you manage expectations for customers and deliver goods promptly.

If you're a distributor or wholesaler, having goods on hand lets you fulfil orders quickly with little or no lag time. If you're a manufacturer, having the right raw materials or parts in storage cuts down on delays in manufacturing and delivery.

Of course, having stock available has to be balanced against storage costs and overspending. It's about ordering the right goods at the right time.

## **Inaccuracies, overstocking and other inventory challenges**

Inventory management issues can include customer dissatisfaction, staff spending too much time on manual processes or overspending and delays in your ordering process.

Customers are affected if you run out of stock and need to back-order – they could choose to buy elsewhere. Lack of accurate data can also be an issue – if your system lets customers order an out-of-stock item, they're not likely to be happy with the experience.

For your staff, inefficient inventory management can mean tedious manual processes involving double- and triple-checking inventory levels and more time spent dealing with unhappy customers.

Cash flow can also be affected, with capital tied up in unwanted stock and overspending on warehouse space.

# 5 strategies for inventory success

Managing inventory may be complex, but many businesses do it well by striking a balance between high stock levels and lack of stock, customer satisfaction and overspending. Here's how they do it:

## 1 Impeccable tracking and reporting

Effective inventory management starts with accurate tracking and reporting of transactions. Every delivery, order, sale, return, write-off or movement between warehouses needs to be recorded immediately. Without this, you won't be able to rely on your stock records and you'll run into problems with out-of-stock or missing items.

There's no one way to track inventory. While many businesses use business management software, others rely on spreadsheets or paper-based processes. While manual systems can work, they do rely on human input, which can lead to inaccuracies. If your people need to type in an SKU number every time they sell an item, it's easy to see where mistakes could be made.

With cloud business management software, data entry can be automated with barcodes or other technology. This reduces the risk of human error and speeds up the process – rather than having to enter a number into a system after the fact, stock levels are automatically updated. It's particularly valuable if you have multiple warehouses – cloud software means that everyone in the business has access to the same data.

## 2 Proactive replenishment

Effective replenishment means bringing new inventory into your warehouses as needed – just before older stock is sold or used. Getting it right means considering past sales data and the lead times for different goods. There's no perfect system for replenishment because demand varies over time and suppliers don't always deliver promptly.

The good news is, an effective cloud business management system can minimise replenishment issues and streamline the planning and ordering process. Rather than relying on human judgement, cloud software can balance projected demand, lead times and potential delays to optimise stock levels. The result? 'Just right' stock levels, reduced holding costs, fewer out-of-stock problems – and better experiences for your customers.

### **3** Managing ordering costs

Many wholesalers deal with long lead-times by ordering more 'safety stock' – but this can be an expensive option. Smaller, more frequent orders are usually preferable, as they reduce the cost of storage and the capital tied up in unsold stock.

Although you can't do much to reduce lead-times for your suppliers, you can reduce the costs and delays associated with the purchase process. Some businesses use software that integrates with supplier portals, so orders can be linked to inventory levels and fully or semi-automated. You can also accelerate the processes around incoming stock – using barcode scanners, linking with inventory software and automating quality checks where possible.

### **4** Minimise variability

Unexpected surges or dips in demand, problems with supply or delays holding up the fulfilment process can cause major issues with customer satisfaction.

One tactic is to increase the amount of 'safety stock' on hand. Of course, the downside is unnecessary spending on stock that's not needed. If your business can minimise variability, it can reduce the issues that come along with it, including shortages and overstocking.

With automated transaction recording and reporting, cloud business management software can help you see trends over time, helping you predict surges or downturns in demand.

### **5** Automate manual processes

Manual processes – entering product codes, filling out order forms and printing packing slips – can seriously slow down your inventory management. Business management software can eliminate the need for many of these processes and automate others.

Scanning barcodes rather than keying in numbers, transactions automatically updating to the cloud, auto-populated packing slips, automated reporting and stock ordering – multiple minor changes across the business can add up to major time savings and fewer errors.

# Speed, accuracy, service – the benefits of effective inventory management

Whether you use software to automate parts of your business or implement a fully integrated cloud business management system, improving inventory management has several benefits.

**Real-time reporting** automatic stock tracking and accurate reporting lets you know what you have and where it's located at all times, even across multiple warehouses.

**Time savings** automating manual processes and reducing errors gives you more time to spend on sales and customer service.

**Better planning** using software to forecast demand and plan orders can reduce shortages and overstocking.

**Reduce expenses** fewer errors, less safety stock and time savings help reduce inventory costs.

**Boost customer loyalty** prompt deliveries, minimal mistakes and stock that's readily available make for satisfied customers.

# Upgrading your inventory management

Delays, lost goods, misplaced orders, understocking and overstocking, wasted money and time, frustrated customers and staff – the downsides of poor inventory management are clear.

However, enhancing the effectiveness of inventory management results in reduced costs, real-time updates which improves stock control and a better customer experience.

MYOB Advanced Business Management software is an end-to-end cloud platform for inventory management. It's designed to help solve the issues around ineffective tracking and reporting, automate key processes, integrate with other key software and help your business handle inventory without the headaches.

Ask us for a free demonstration of MYOB Advanced Inventory Management.

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