



# EFFECTIVE STOCK MANAGEMENT

BEST PRACTICE TECHNIQUES AND TOOLS  
THAT EVERY BUSINESS SHOULD EMPLOY





# THE INTACT INSIGHTS SERIES

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Keeping you informed of the latest trends,  
research and technological developments  
impacting your business today



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# HAVE YOU GOT TRUE CONTROL OF YOUR INVENTORY?

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One of the most challenging aspects of running a business is learning how to effectively manage your stock. It's vital you have what your customers need and want without having too much excess, costing you money. Stock-outs also cost money as customers may go elsewhere and not come back. Whether it's deciding what and how much to order, when to order, keeping accurate records or determining how to handle excess and shortages, knowing how to efficiently control your stock can help ensure your business's success.

Your business system can provide you with the technology and tools to implement an effective stock management strategy. However, to do this you need to take the time to establish what an effective stock management policy for your business should look like. Only then can you decide what rules, procedures or processes you will enforce via your business system. This is particularly true where thousands of products are stocked.







Many businesses believe that their current stock control procedures are fit for purpose, however even the most skilled warehouse managers find it difficult to get it 100% right.

Many businesses start off using Excel as it is relatively easy to use, convenient and cost effective. But as your business grows, you quickly leave those benefits behind and may find it's costing your business.





## STOCK STRESS TEST

- 1. ARE YOU CARRYING TOO MUCH OF CERTAIN PRODUCTS? IS EXCESS INVENTORY AND DEAD STOCK LEVELS IMPACTING YOUR TURNOVER AND PROFITABILITY?**

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- 2. ARE YOU RUNNING OUT OF STOCK LEADING TO BACK-ORDERS, LOST SALES AND DISSATISFIED CUSTOMERS?**

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- 3. ARE YOU CONFIDENT THAT YOUR STOCK ON-HAND REPORTS ARE ACCURATE? IS THE STOCK VALUATION ACCURATE?**

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- 4. DO YOU HAVE COMPLETE VISIBILITY OF WHERE ALL OF YOUR STOCK IS LOCATED?**

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- 5. WHEN DECIDING PURCHASE ORDER QUANTITIES REQUIRED TO MEET DEMAND DOES THIS FEEL UNCOMFORTABLY LIKE GUESSWORK?**



Your answers to these questions might highlight some clear areas for improvement. This guide will help you set out the best practice techniques you should be employing at a procedure and systems level to help you ensure that your stock management policy is as effective as possible.

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The ultimate goal of effective inventory management is to balance customer needs while minimising the cost of carrying excess items.

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## Pen-and-paper inventory management is no longer fit for purpose

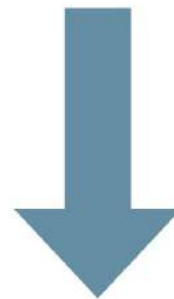
A recent study by the Aberdeen Group found that those businesses that updated their inventory management practices and used an integrated system to manage their stock exhibited superior results in every area of inventory management.

**95.4%**  
of outbound orders delivered to customers complete and on-time



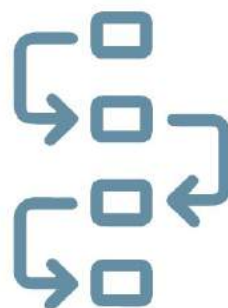
**94.6%** of orders received from suppliers complete and on-time.

**0.5% decrease** in total landed per unit costs in the past year.



**1.7 TIMES**   
more likely to find and access inbound supply chain (procurement) data needed for decision making.

**7.5% decrease** in the frequency of out-of-stock inventory



**1.67 times** more likely to have logistics/pipeline collaboration with suppliers



**1.34 times** more likely to have online visibility into in-transit shipment status



# THE BENEFIT TO YOUR BUSINESS





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Stock management is one of the best, and easiest, ways to reduce costs and save time, however, implementing an effective stock control policy and supporting system takes time. You need to dedicate the resources required to ensure the outcome yields tangible benefits for your business.

The work you employ to address your stock control issues now will yield significant benefits across your operation for years to come. These benefits may take some time to materialise but it may be these modifications to your stock policy that will help provide you with a competitive edge.



### ● Saves time and money

Stock management is one of the best, and easiest, ways to reduce costs and save time. Efficient stock control means the right amount of stock is in the right place, at the right time and in the right quantities. This helps you to avoid overstocking, shrinkage and dead stock whilst reducing storage and handling costs.

### ● Increases efficiency & productivity

Maintaining accurate and visible stock levels across the organisation enables all departments (purchasing, warehouse, sales) who rely on accurate stock detail to work more efficiently and make smarter decisions. Implementing a stock control solution that provides access to real time, accurate data can also simplify work processes within your organisation. It eliminates manual processes enabling your employees to focus on other more important areas of the business leading to improved efficiency and productivity.

### ● Improves cash flow

Not only does good inventory management save you money, it also improves cash flow. Improving your stock and inventory policy can reduce the cash flow and working capital requirements of your business as less money is tied up in stock.



## ● Improves traceability & increases visibility

With proper stock management, your staff can access up-to-date and accurate stock levels across your entire business. The quicker they can search and filter the system, the less time they spend wading through thousands of codes to find the right one.

Stock accuracy is particularly important when tracking serial numbers and batches. This is vital where batch traceability is a legal requirement on certain types of products.

In addition, with full visibility of stock between branches and efficient processes for requesting and dispatching stock, goods can be moved from one branch to the other easily and with full traceability.

## ● Increases customer service levels

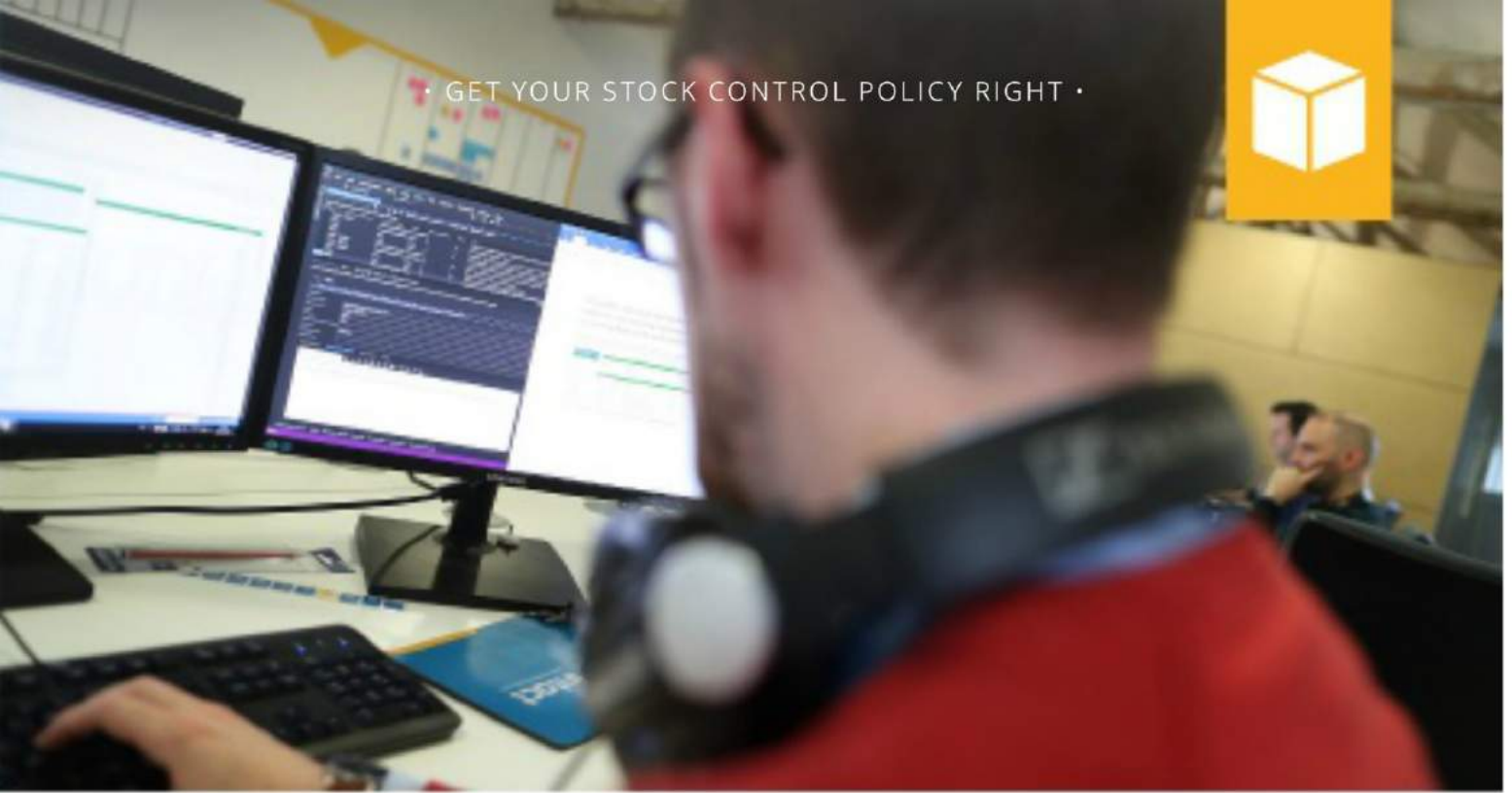
If you want your hard-earned customers to come back for your products and services, you need to be able to meet customer demand quickly. Inventory management helps you meet this demand by allowing you to have the right products on-hand as soon as your customers need them. With access to accurate, real-time data, staff can respond quickly to the latest trends, promotions, seasonality or other changes. Satisfying customer orders also prevents your company from violating service-level agreements.



# GET YOUR STOCK CONTROL POLICY RIGHT THEN LET YOUR SYSTEM DO THE WORK







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Your business system is not a panacea for your stock management problems. Your business system is simply the tool you will use to automate and enforce your stock control policy. In order for your system to live up to its potential, you need to have robust stock control procedures to begin with.

Take the time to either review or document your stock control procedures. The following pages highlight some core best practice techniques that we have found deliver real benefits for our customers. If you aren't employing them in your business take the time to review whether you should be and make sure your system has the capability to facilitate and/or automate these techniques.



## COLLABORATION IS KEY

Inventory management directly impacts several departments within your organisation and yet these departments may not all be actively involved in inventory management decisions. Designing your stock control procedures in isolation is not recommended. We would advise reviewing your stock control procedures at least once a year with all affected departments.

Demand Planning - For businesses working against a promotional calendar, or where there are seasonal spikes in demand, more frequent stock control reviews/planning sessions should take place. This will enable your team to collaboratively determine how much product to buy, when to prepare additional warehouse space, when to anticipate increased sales calls etc. Extend your stock planning communication to your suppliers to ensure they are constantly aware of your plans and can prepare accordingly.

Working with an integrated business system will also ensure all departments have access to the same information and can therefore plan accordingly.



## 2.

### LOCATION, LOCATION, LOCATION

An organised warehouse is a successful warehouse. This is the one aspect of inventory management you don't want to overlook. How items are laid out in the warehouse can have a direct impact on the amount of time your team spend picking orders. Draw a map of your warehouse and plan the optimal layout for your business. Make sure the most popular products are in the easiest to reach places, and keep product size (and volume) in mind as you plan out your space.

**Ensure your system can quickly, accurately and continuously specify the location of all stock within your warehouse in accordance with your layout instruction.**

The easiest way to do this is to incorporate barcode scanning to ensure your stock is continuously and effectively tracked from goods entry to dispatch. However, unless you have your stock in the right place from the outset and your goods received and dispatch cycle working correctly then barcoding will only serve to frustrate you. Therefore, it's imperative that you get your warehouse layout and processes optimally configured before you introduce barcode scanning to your business.

## 3.

### STOCK TAKES

The traditional stock take that involved shutting your business down for 2 days to record stock on an annual basis is a thing of the past. Rolling stock takes enable businesses to regularly check stock levels, helping to identify discrepancies early on. Handheld device technology allows you to quickly and accurately record stock in this fashion.

Many of our customers run partial stock takes on an ongoing basis and there are clear benefits to doing so.



Our manual stock takes typically carried stock variance levels of up to 10%. Post the introduction of handhelds and rolling stock takes, that variance has reduced to <2% . For a company with 40,000 active products we were delighted with this result.



Where you need to adjust your stock ensure you record the reason(s) for your stock adjustment. This will enable you to address the drivers of stock variances and monitor how these are, ideally, improving over time.

## 4.

### DEAD / SLOW-MOVING STOCK

Have you got a procedure in place for managing slow-moving/dead stock? Excess inventory is usually considered to be any quantity of a product greater than a 12-month supply. We would advise running an aged stock report to enable you to quantify, from a volume and value perspective, how old your stock is. Armed with this information agree your procedures for moving this stock out of your business.

#### Some suggestions:



Transfer excess stock to a branch that needs those products



Return the stock to the vendor, where possible



Run a promotion or price discount on the applicable lines



Sell the excess inventory to a competitor



Use eBay to help sell to the public



Take the 'write-off' for your financial statement and free up room in your warehouse



## 5.

### IDENTIFY YOUR 'NON-SELLERS'

This is a little different to the previous point. Here we wish to understand how we can maximise our inventory turns by looking at non-sellers and related sales opportunities. So you may decide to look at what products customers are NOT buying, what reps are NOT selling certain lines etc. Your system should be able to easily run such reports. This allows sales management to be more proactive in making customers aware of other product ranges, getting reps to focus on promoting the non-selling product ranges etc.

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## 6.

### REPLENISHMENT RULES & AUTOMATED REPLENISHMENT

Your reorder method should be designed to maximise inventory turns and minimise stockouts. If you regularly report out-of-stocks or have problems with excess or slow moving stock, the likelihood is that your replenishment rules need to be reviewed. Businesses that adopt an ad-hoc approach to replenishment based on gut feel or outdated data are putting their bottom line at risk.

It takes time and effort to set up a rigorous replenishment process but post set-up these rules will become automated in your system. The effort you put in at the set up stage will lead to huge payoffs in the long run.



It is not the  
strongest of the  
species that survives,  
nor the most intelligent  
that survives.  
It is the one that is  
most adaptable to  
change.



To set up effective replenishment rules, ensure your system contains up-to-date minimum and maximum stock levels for each product; especially for fast moving lines. It is also important to attach supplier lead times to each product and any imposed 'minimum order values' from suppliers. You may need to take into account shipping costs where it is uneconomic to order small quantities. There may also be other specific variables you need your system to take into account.

Using these variables, you can then instruct your system to create a purchase order to replenish stock once a minimum level has been reached. Within Intact iQ, the Order Point Recalculation feature takes into account average sales based on a period determined by you. It can also smooth out averages to ensure peaks and troughs are ignored. Supplier lead times, lead times post landing & desired buffer stock quantities are also taken into account to ensure your re-order levels are calculated automatically and accurately. This is an extremely clever and powerful tool that removes human error by ensuring all the variables that you need to take into account when setting minimum stock and re-order levels are automatically calculated in your system.

Of course the information in your system needs to be up-to-date and accurate. Once it is, you can use the powerful features of your system to automatically suggest orders for you to review once a specified re-order level is reached. This saves you having to build orders one product at a time and provides you with the confidence that your orders are based on accurate data.

In addition to automatically calculating purchase orders, your system can also help enforce additional replenishment rules such as setting max stock levels and prohibiting POs that bring effective stock over max level. It can also display automatic stock level warnings (where relevant) for orders/quotations etc.



## 7.

### ABC STOCKTAKING

For those companies that have successful stock management policies and procedures in place, the introduction of ABC Stocktaking can introduce additional efficiencies. With partial and cyclical stock checks, all items are counted at equal and regular intervals. An alternative method available in most systems is the ability to “rank” your stock in terms of value and importance. “A” type items are high value and need to be counted more often than “C” type items, which may be low value consumables. The system should allow the stock controller to indicate how often each type, A, B or C are to be counted.

For example:

“A” items – Counted once a week

“B” items – Counted once a month

“C” items – Counted once a year

The system will then provide the user with a random list of products to be checked each working day and in the background you have the confidence that each product is counted the defined number of times that have been specified by you.

This can reduce the time spent counting and at the same time it ensures that accurate levels are maintained across the warehouse.

## 8.

### PURCHASING METRICS

Set appropriate objectives for your buyers. Buyers/purchasing should be judged and rewarded based on customer service levels, inventory turns, and return on investment for the product lines for which they are responsible.

## 9.

### REPLENISHMENT PATHS

Determine how stock requests should be managed in your organisation and use your system to automate these rules. Assign one of these options to each item in your warehouse:

#### 1. **Distributive Purchasing**

The warehouse replenishes stock with a purchase order directly to the vendor.

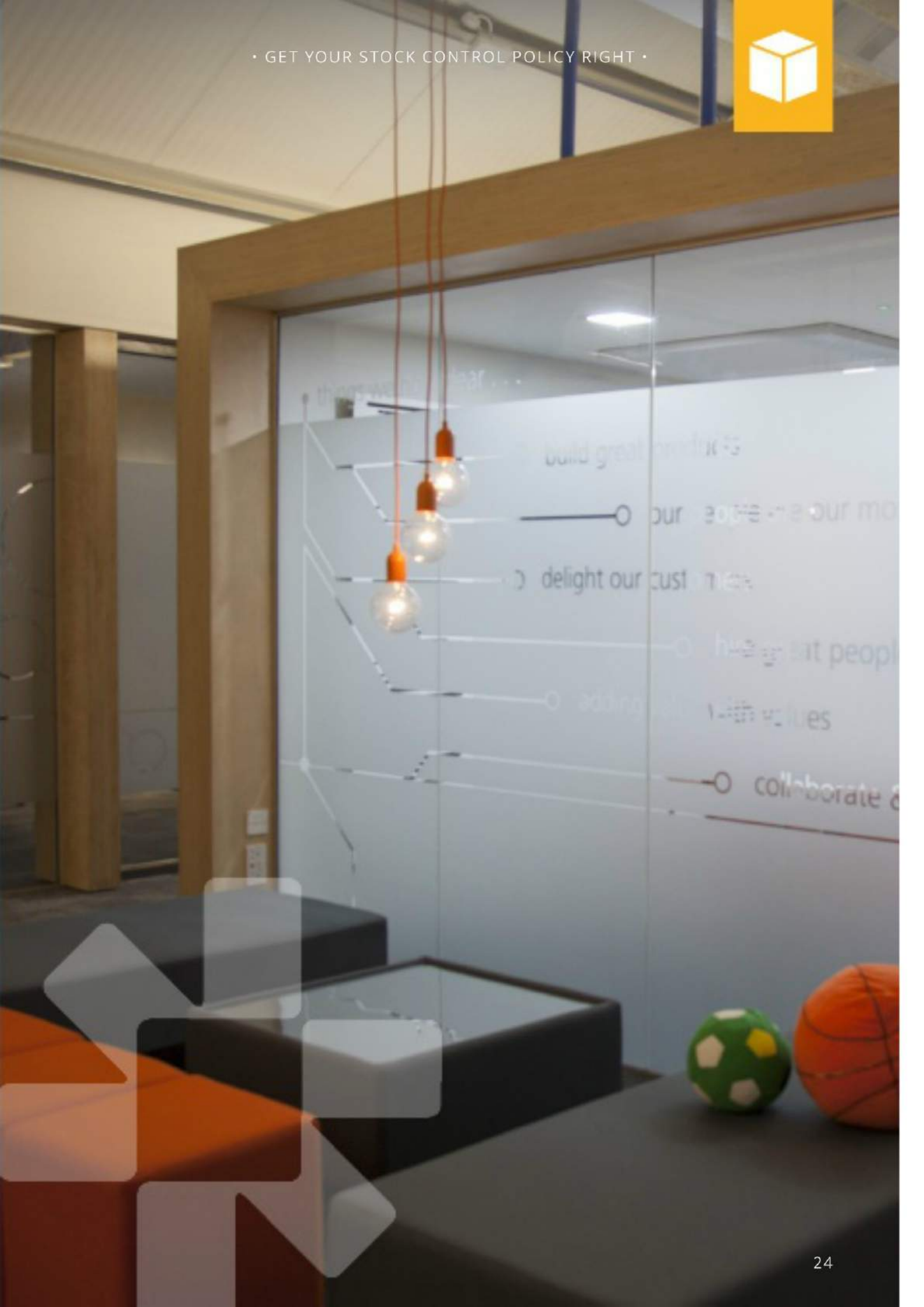
#### 2. **Central Warehousing**

Stock of one warehouse is replenished with a stock transfer.

#### 3. **Cooperative Purchasing**

Several branches pool their needs and issue one vendor purchase order in order to meet vendor minimum order requirements.





# 10.

## BATCH / SERIAL NUMBER TRACKING

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

For example, if the warehouse staff are shipping out as few as 10 serialised 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 been 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 or tracking problems.

Tracking serial or batch numbers is most effective with an inventory management system in place. By scanning the bar codes for serial and batch information or entering this information directly into your system, you ensure that the most accurate information is recorded from the outset. This detail is updated in real-time so you can verify that the correct items are being used for each transaction.



Great things happen when we listen . . .  
to our customers, to our partners  
and to each other

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## Why Batch Track?

Batch tracking applies to a whole host of industries for different reasons from efficient allocation of stock, to quality control, to management of perishable items to ensuring legislative/traceability requirements are met.

Batch tracking will help with effective stock allocation where you wish to maximise your use of batch type products. For businesses with stock in rolls, containers or lots the use of batch tracking can help significantly reduce stock wastage in their business.

For tiles batch tracking is used for quality control purposes to ensure shade matching for customers can be accommodated. It is also pertinent for those businesses who supply perishable items and need to ensure that products are dispatched effectively based on best before/use by dates. The system can automatically allocate a batch number at the point of allocation to ensure products with shorter due dates are dispatched first. In addition, stricter legislative and traceability requirements are making system based batch/serial number tracking mandatory in many industries.

# 11.

## EFFICIENT PICKING PROCEDURES

Review your current picking procedures. Are they operating as efficiently as you would like them to? If not, then challenge your software system to assist you with this task.

Within Intact iQ we have a feature called 'Picking Note Creator', that comes as standard. It allows customers to generate picking lists based on their pre-defined conditions. For example, you may decide you want to print a picking list for your North East delivery run on Wednesday and you wish to pick and load the order so that the last item loaded is the first item to be delivered. This functionality exists and can bring significant efficiencies to your picking procedure based on your pre-defined criteria.



# 12.

## ADDITIONAL WAREHOUSE PROCEDURES



### Authorised Personnel

Make sure the only people in your warehouse belong in your warehouse.



### Establish an approved stock list for your warehouse

Order only the amount of non-stock or special items that your customer has committed to buy



### Process paperwork in a timely manner

All printed picking documents should be filled by the end of the day. Stock receipts should be put away and entered in your system within 24 hours of arrival.



# THE MOVE TO SMARTER WAREHOUSING



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## MAKE YOUR WAREHOUSE MOBILE – MANAGE YOUR WAREHOUSE IN REAL TIME

Mobility in the warehouse can dramatically improve your productivity, resource utilisation, and inventory management.

Mobile Warehouse from Intact Software is a cost effective solution providing 'anywhere, anytime' flexibility that allows you to embrace the advances in modern handheld technology. It will enable you to automate and simplify previously labour intensive warehouse tasks saving time and money, improving stock accuracy, reducing overstocking and shrinkage. It will also allow you to track items from goods in to goods out, automatically update stock records in real time, minimise picking times and picking errors, assign barcodes for loose or un-bar coded items and carry out rolling stock takes.

The application software for the Intact Mobile Warehouse is run on the host system. The handheld devices appear to it like a wireless keyboard/display/scanner. This eliminates the need to program the individual handsets so multiple units can be added to the system seamlessly. The big benefit of this is that communication is in real time.

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If you are not embracing the power of Mobile Warehouse you are missing out on an opportunity to drive growth via a smarter warehouse.

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There is a caveat here. Mobile Warehouse can dramatically reduce human error but it won't fix your stock processes, policies, data etc.

The introduction of a Mobile Warehouse solution is the last piece of the puzzle.

If, for example, your products are in the wrong location to start with a handheld device won't solve this problem.

However, if you have worked through the previous 12 points and addressed any failings/discrepancies in your processes, system or data then you are in a position to implement and maximize the return a Mobile Warehouse solution can offer.



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This guide has identified that there are many elements to making a success of the onerous task of effective stock management. Your computer system should not be a barrier to implementing it.



We believe that your business system should support your efforts to keep accurate and efficient stock levels, whilst enabling you to build your own housekeeping and processes that allow for real-time insight and analysis.

We have been working with businesses, like yours, for 25 years helping them establish effective stock control policies and then setting up their Intact Software system to ensure it yields continuous, tangible benefits.

If you would like to understand more about Intact Software and our approach to effective stock management email us at [info@intactsoftware.com](mailto:info@intactsoftware.com) or log on to [www.intactsoftware.com](http://www.intactsoftware.com)



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## THE INTACT DIFFERENCE

We believe your ERP system should provide you with the tools to unlock your true business potential. We also firmly believe Intact iQ, our 3rd generation ERP software, can empower you with the systems and information you require to unleash that potential.

Built and supported in Ireland and the UK, Intact iQ is all about helping great businesses like yours take control, drive sales and improve margins.

Our mission is to organise your business information into an easy-to-use, single system where it can be leveraged to enable efficient daily operations. We give you the unified tools and functionality you need to be independently more operationally effective and to grow accordingly.

Aimed at scaling SMEs looking for greater controls and flexibility, Intact iQ is a full .NET application that comes bundled with a toolset that facilitates the nuances that often exist in a growing company. Our unique personalisation layer enables perfect fit automated business processes and role-based tailored screen design. It's all about what you want to do and how you want to do it.

Intact iQ excels in many verticals across supply chain management, engineering, wholesale/trade counter/ePOS, Service, Job, Project and Enterprise Asset Costing & Management. Its 'Total Integration' layer supports always on communication between it and any other 3rd party system you may currently use.



Best practice for a business should never be dictated by a software company. Many businesses grow and succeed because they have a unique or familiar way of working. We encourage that ethos and have built software to support it at all levels.

Justin Lawless, CEO, Intact Software



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To find out more about how Intact iQ can help your business succeed and grow log on to [www.intactsoftware.com](http://www.intactsoftware.com) or email us at [info@intactsoftware.com](mailto:info@intactsoftware.com)

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