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BUSINESS GUIDE

Inventory Management Software Holding Your Business Back? There's a Better Way

Basic systems are a sure way to end up with dead stock, higher handling costs and lower profits





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Many product companies have logged impressive success with bare-bones inventory management, at least at first. Just like any other entry-level business system, a medley of tools works well — until it doesn't.

Basic inventory applications that bolt onto your accounting, ecommerce or point-of-sale software get the job done when you're getting off the ground. They require manual effort and perhaps creative workarounds, but they let you keep track of what items are in stock and in what quantities. That brings some degree of order, prevents products from piling up in the warehouse and minimizes fire drills caused by running out of bestsellers without warning.

While entry-level inventory software is certainly an improvement over spreadsheets, limitations become apparent as the business grows. Expanding to multiple channels or locations? Traceability for regulated products?

Cycle counting? All get very complicated and time-intensive without a capable system. Eventually, these inventory management-related tasks become too burdensome, and companies realize they need to automate processes, track additional information and find a system that can grow with them.

Inventory management is an area worthy of investment because without it, businesses often waste a lot of money — sometimes without realizing it. Having too much or too little stock can lead to higher carrying costs and more obsolete inventory as well as missed sales. The bottom-line impact is real, and the right inventory management strategy can make a big difference.

In this guide, we'll explain what most "starter" inventory systems offer, where they may come up short and what to look for as your strategy matures.

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CHAPTER 1

What a Basic Inventory Management System Provides

There's no doubt that any inventory management system is better than nothing. It can eliminate some of the very manual approaches businesses start with.

So, what does basic inventory management software do?

- **Track stock levels:** The most important feature for any inventory management system is the ability to monitor products as they enter and leave your facilities. Although it may not be perfect, basic tracking gives you an idea of the on-hand quantities of the products you sell, helping you avoid stockouts and lost sales.

With some systems, your team can automatically receive alerts when SKUs fall below a certain level. This gives you time to place a purchase order before it's too late or the only option is a rush delivery at an additional cost.

The other way to know you're running low is by frequently running and reviewing inventory reports, an imprecise and time-consuming approach.

- **Create a product repository:** Before you can track inventory and customer orders to know your current levels, you first need to build out records with product names and relevant details, like sizes, descriptions, specs, pictures and colors. Each product needs a unique name and barcode to monitor its movement.

An entry-level application will let you create inventory records for your SKUs. You may also be able to set up product variants for versions of the same product, like a shirt that comes in four colors and five sizes. Each variation can have its own SKU, price, weight and barcode.



When setting up inventory records, think through how you want to analyze sales and what information you'll need for future forecasts. How you structure product categories and classify items — including type, season, vendor and more — will affect what reports you can produce and what's included in them. For example, you want the option to report on a single SKU or the whole set of products.

- **Run reports:** Reporting is another key piece of what makes inventory management software valuable. When the system keeps a record of how inventory moves over time, you can quickly distinguish best-sellers from underperformers. There may be some ability to filter so you can get multiple perspectives. Ultimately, these reports give you a sense of what products to increase or decrease investment in and guide purchasing decisions.

These are table-stakes features. So how do you know when it's time to up the ante?

Guide to a Smooth Physical Count

As the name suggests, a physical inventory count is an organized, methodical and structured process used to count a business's stock. Companies use physical inventory counts to provide an audit or verification of the data in inventory systems, and they conduct them at scheduled times that typically coincide with financial reporting periods. Inventory counts are also critical for ensuring sales and purchase forecasting reliability.

There are two primary methods of conducting a physical inventory count:

- 1. Manual:** Using paper and pencils to count and record inventory.
- 2. Electronic:** Relying on technology like scanners, RFID, barcodes or mobile devices to count items.

The ultimate goal in conducting a physical inventory count is for the records to match products on hand as closely as possible. To get there, use our [ultimate 24-step physical inventory count checklist](#).

6 Signs It's Time for a New Inventory Management System

Business leaders often struggle to know when it's time to replace their inventory management systems. What qualifies as a "reasonable inconvenience" versus a deficiency that is truly holding your business back?

The six issues below are common with basic inventory management systems and can negatively impact the overall performance of your company. Take these as signals that it's time for something better.

1. **Limited cross-channel inventory tracking.** Chances are if you sell goods, whether B2C or B2B, you're doing so through multiple channels that all pull from the same pool of available inventory. Orders come through ecommerce, phone conversations with salespeople, physical stores, EDI and third-party marketplaces or resellers. The challenge comes in keeping inventory numbers current and correct when orders from different channels don't flow through a single system. Separate applications for placing orders online and in store, for example, may lack real-time integrations — or any integrations at all — with the inventory system.

Without these connections, you're relying on employees to manually update inventory levels as they fulfill orders. Eventually it becomes difficult to keep up, and that can lead to selling items you don't have because the numbers sales reps see are outdated. Any latency between an order coming in and levels updating can result in unfulfilled orders and a hit to your customer satisfaction levels.

Imagine a wholesale client places a large order through your B2B ecommerce site, and a big-box store follows with a bulk order via EDI. A string of consumer orders then come in through your B2C online store and several marketplaces, and there's no inventory remaining by the time those last few orders land.

You can't fulfill those purchases, leaving consumers disappointed and frustrated. Even if a replenishment order is arriving soon, customers won't receive items as quickly as expected. They may look for the same or similar products elsewhere, and studies show just one bad experience is enough to keep more than 60% of shoppers from buying from you in the future.

It's impossible to know how much inventory you have at any point in time without a system that can account for orders through all sales channels and continuously update stock levels. The more places you sell, the more important this is.

2. **No multi-location inventory tracking.** Most businesses will expand beyond one location that holds inventory as they grow. These sites could be stores, warehouses or third-party facilities, like a 3PL or Amazon warehouse if it does fulfillment for you. That poses a problem for entry-level inventory management systems, which work only when everything is in one place. If you fulfill out of even two locations, you're left with no way of knowing what's available at each.

This lack of insight can increase order fulfillment costs because there is no way to review shipping options across locations and choose the least expensive or fastest. You may pay to ship a product across the country when it's available at a warehouse close to the buyer or end up pulling items from multiple warehouses unnecessarily. Orchestrating and fulfilling orders quickly becomes cumbersome and costly.

A lack of transparency into stock levels at different facilities also makes purchasing much more difficult. You don't know how much to order or how to allocate

it, which often leads to over-ordering because, when in doubt, most companies default to too much rather than not enough. Again, that drives up costs unnecessarily.

3. **Manual updates to product records.** An entry-level inventory management system can store product information, as noted earlier. However, it may not capture all the data you need internally, like item location by zone, aisle and bin numbers or special handling instructions.

Moreover, if your inventory system is not integrated with your ecommerce and POS systems, that means additional manual work. Updates to product information, such as price, description or sizing, will need to be redone in all these systems independently. This additional data entry increases the likelihood of mistakes. It may seem like a small inconvenience, but before you know it, an employee is spending hours every week updating and checking item records and listings.

Centralizing information for every SKU you carry with a robust inventory management system will quickly deliver a positive ROI by saving your staff from mundane, error-prone and time-intensive work that adds little strategic value.

4. **Messy demand planning.** In addition to knowing what's on hand, businesses must be able to view the past performance of all SKUs in context of seasonal trends, recent spikes and falls in demand and other insights to efficiently manage replenishment. Calculating the appropriate size of purchase orders is no simple task, and it's made all the more challenging without the right tools.

Starter inventory systems can produce basic sales and inventory reports, but those must then be uploaded into a spreadsheet specially built for this purpose or, if you're lucky, a demand planning application. Without a unified source of data on every SKU and embedded demand planning capabilities, this quickly gets messy. Collating information from multiple reports is, again, time-intensive and error-prone. You're relying on spreadsheet wizardry and people constantly and consistently updating inventory levels for every item.

Learn More

- **Slow-Moving Inventory: Identify, Manage & Prevent It.** Knowing how to spot slow-moving products, find the underlying cause and address the problem is an important skill when selling physical products.
- **Ultimate Lean Inventory Management Guide for Businesses.** A lean inventory approach leverages continuous improvement methods to reduce waste — of time, materials and work. That improves efficiency, saves money and ultimately enables companies to provide more value to customers.
- **Reorder Point Defined: Formula & How to Use.** As a business sells inventory, an important decision is: When should we order more products from our suppliers? From small boutiques and large superstores to online shops and everything in between, this is a nearly universal problem.

Demand planning needs only increase as operations grow more complex. You'll want to forecast demand by channel, for instance, and figure out how to split orders across multiple locations. As sales go up, so will the size of purchase orders, magnifying the impact of any mistakes. Effective inventory management is the foundation of trustworthy demand plans.

5. **Painful inventory counts.** For any business that sells products, the idea of a physical inventory count carries a negative connotation. While necessary, they consume a lot of time and energy and often require a company to shut down operations once or twice a year while they count everything in the building.

Physical counts are considerably more time-intensive and difficult without a system that can guide workers through the process, which really matters when you have to halt any movement of inventory into or out of the building. For example, using a spreadsheet

to keep track of what needs to be counted and expected quantities for each bin will slow counters down and increase the likelihood of errors. It could also lead to mistakenly counting the same bin twice and other missteps. Without inventory software, you also cannot use the handheld scanners that make counting faster, easier and more accurate because they must be linked to a system able to update numbers based on barcodes.

The same is true for cycle counts, when a business counts select items on a more frequent basis, like daily, weekly or monthly. Cycle counts can also take longer than necessary if you're relying on a manual system. Additionally, regular cycle counts can make those complete physical counts easier and, in some cases, even eliminate the need for them.

6. **Lack of traceability.** If you operate in a highly regulated industry or one that's subject to frequent recalls, you need detailed records of the source of every item you sell. Companies in pharmaceuticals, food and beverage, health and beauty, medical supplies and the like must be able to trace the products they sell back to the suppliers and raw

materials used to make that item. They rely on numbers to tie specific "lots" of ingredients or materials to certain products, as well as to where and when those goods were manufactured. This may continue through forward tracing, after the sale to the customer, so they can be notified of recalls or product issues.

It's not hard to see how complicated this will get without a system that automates some of the steps involved in lot tracking. Setting up lot numbers tied to certain shipments from vendors, then ensuring products are tied to the correct lot and serial numbers, is a tall order. But any inaccuracies could put your customers at risk and severely damage your brand reputation.

A more robust inventory management system can automatically create and assign lot numbers to production runs. Records will then show exactly which products were included in an order and the associated numbers for each, so it's easy to reach customers about any issues with items you sold them. Should an item need to be recalled, you can quickly reach only the affected buyers, saving money and preserving customer satisfaction.



5 Great Ideas to Steal

NetSuite customers have some creative ways to up their inventory management games.

1. **Steeda Autosports** couldn't reflect inventory availability on its website in real time, leading to a "nightmare" of upset customers who had placed orders for items that weren't in stock. Upon implementing NetSuite, Steeda was able to feed inventory data from its warehouse to the site in real time.

Bright Idea: It built an API with one of its distributors to get off-site inventory information displayed on the site, too. Steeda now gets vendor feeds emailed daily with inventory levels, back-order information and shipping ETAs.

2. **When Steeda** wanted to start gathering more feedback from customers, it might've gone with its initial plan — printing postcards to encourage reviews.

Bright Idea: With NetSuite, Steeda was able to add QR codes to packing slips so shoppers can easily scan and leave reviews. With the QR code system, it avoided spending thousands of dollars per year on printing postcards and having its assembly team complete an extra step. [Learn more.](#)

3. **BirdRock Brands** is all about home products, like seagrass baskets, laundry hampers and cleaning kits. BirdRock has many SKUs and switched from Fulfillment by Amazon (FBA) to Seller Fulfilled Prime — meaning it had a need for speed to ensure its products kept the prized Amazon Prime badge. Employees had to get at the right data, fast.

Bright Idea: BirdRock created granular NetSuite roles for individual employees that show the specific data they need and dashboards with the metrics most relevant to them, while cutting out the noise. For example, an operations employee may need inventory performance metrics, while an accountant keeps a close eye on cash flow and upcoming payables. [Learn more.](#)

4. **The Henry Bear's Park chain** of neighborhood toy stores has catered to kids of all ages in Greater Boston for more than 45 years. But its buyers needed more time to seek out innovative new products.

Bright Idea: Henry Bear's started using NetSuite to automate replenishment. Using predefined reorder points and preferred stock levels, the system automatically detects when items are running low. It generates a purchase order — rounding up to the vendor's minimum order quantity if needed, which is a big deal — and sends it to the purchasing manager for execution. [Learn more.](#)

5. **Goorin Bros.** is a 127-year-old omnichannel hat retailer that sells direct to consumer, wholesale — including to large retailers like Nordstrom and Zappos — and through online marketplaces like Amazon.

Bright Idea: Goorin replaced bulky PoS stations with iPhone-based terminals that freed up space in its stylish stores. With this new setup, customers can check out from anywhere in the store. They can even scan a QR code generated by the NewStore mobile POS, which is tied back to NetSuite, for a speedier experience. [Learn more.](#)

Why NetSuite Is a Better Option for Inventory Management

If your current inventory solution can't address — or is causing — any of these operational headaches, it's time for a more robust system.

NetSuite can address all aspects of your inventory management, from procurement to your product catalog to demand planning, in a single system that handles other critical functions like finance, CRM, ecommerce, HR and more.

Key features of [NetSuite Inventory Management](#) include:

- **Multi-location inventory tracking.** NetSuite's inventory management solution can track the movement of products across multiple facilities and channels in real time. Whether a customer purchased an item in-store or through a third-party ecommerce marketplace, or an employee transferred stock from one warehouse to another, all changes are reflected in NetSuite. This single view of available items prevents overselling and ensures fast and accurate fulfillment of customer orders. It also lowers costs by ensuring you make the most of the inventory you have.
- **Single system of record.** The item master in NetSuite gives you one place to manage all product information. Changes to a SKU's price, details, pictures or other attributes can automatically be pushed out to other systems so you're not wasting time or introducing errors through duplicate data entry. NetSuite ensures consistent messaging, pricing and availability across channels.

A single source of item information also makes for easier and more comprehensive inventory reporting. The system comes with prebuilt KPIs, reminders and shortcuts that eliminate time spent manually pulling reports. Role-based dashboards ensure employees can constantly monitor the insights most useful to them.
- **Simplified demand planning.** NetSuite's deep tracking capabilities form the foundation of precise demand planning that helps businesses strike the right inventory balance. NetSuite Demand Planning looks at historical sales, seasonality, open opportunities and forecasted sales to calculate when you should place orders, for what items and in what quantities. The system also notifies users when on-hand quantities fall below predetermined reorder points. That can reduce expenses and boost the bottom line by minimizing excess inventory and carrying costs while avoiding missed sales.



- **Automated traceability.** As noted earlier, lot numbers and serial numbers are must-haves for some organizations, and NetSuite can automatically generate and assign these unique identifiers to goods. With lot number records, you can assign an expiration date, cost of goods and other details to a certain shipment from specific suppliers, so recalls are not any broader than necessary.

Additionally, items can be assigned serial numbers that are then tied to customer orders to keep records of warranty claims and repairs.

- **Organized cycle counts.** NetSuite makes inventory counts easier by guiding employees through the entire process. [NetSuite's Smart Count feature](#) allows companies to set up business rules that automatically trigger counts, like when a SKU reaches a preset reorder point. It tells employees what items to count and the expected on-hand quantity. NetSuite can also be integrated with mobile scanners that read barcodes or RFID tags, another key feature that enables faster, more accurate counts. Smart Count does not require companies to temporarily shut down operations when they're counting inventory.

The Bottom Line

Inventory is typically the largest expense for products companies, which is why managing it deserves so much attention. In fact, it should be the target of continuous improvement efforts.

A capable inventory management system is a smart investment because it can greatly increase efficiency, reduce costs and increase productivity. Trying to run an omnichannel business with spreadsheets or a smorgasbord of disconnected systems is simply wasted effort. It eats up time and money that could be much better spent elsewhere.

Entry-level inventory management systems serve their purpose early on, but there's a reason companies trade them in for more feature-rich software as their operations grow. A robust inventory management system like NetSuite will quickly show its value and generate a fast return on investment. This software is designed to support companies that have outgrown the manual and cumbersome processes they've relied on to manage their inventories up to that point and will scale with the business.

Companies today are focused on cutting costs and boosting productivity, which requires making smart, targeted investments. A best-in-class inventory management system is just that type of investment, and the earlier you make the move, the sooner you can realize benefits.

Learn More

- [9 Ways to Immediately Reduce Inventory Write-Offs.](#) Not every product is going to sell like hotcakes. It's a reality — and cost — of doing business. Here are the main causes of inventory write-offs and strategies for keeping them to a minimum.
- [Demand Forecasting: Everything You Need to Know.](#) Demand forecasters attempt to use predictive analysis techniques to spin data about past and present sales into predictions of what customers will want in the future. But generating predictions is only the beginning.
- [Must-Have Inventory Management System Features, Requirements & Modules.](#) Here are the key features to consider when selecting an inventory management system, with insights on the latest advances, tips to determine your requirements and a downloadable quick-reference checklist to use when researching solutions.

The Oracle Netsuite logo is displayed in white, uppercase letters. The word "ORACLE" is positioned above the word "NETSUITE". The background of the page is a dark blue gradient with a subtle pattern of concentric circles and abstract shapes in various shades of blue, yellow, and red.

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