



Essentials Of Inventory Control

John C Aulabaugh

Fresh out of college, my first job was with General Electric as an *Inventory Control Specialist*. Understand that this was 1984 and the Personal Computer was just being launched – most of our systems were IBM Mainframe based at our Cleveland headquarters. We were running a Materials and Requirements Planning (MRP) system through punched-tape and dial-up connections. Massive reports would print over-night for forecasting and stock exceptions. The system was an archaic workhorse!

Our current customers who were around back then were probably organizing their billing on 3x5 cards and their inventory via the OSWO inventory method. OSWO was the process where you would walk out in the warehouse and think “*Oh Shit We’re Out!*” and order more. The more you tried to control inventory movement in those days, the more entropy spread.

$$\text{Profit\$} = \text{Price\$} - \text{Cost\$?}$$

Large companies dedicate pocket-protector equipped staff to determine the actual cost of products, who painstakingly do capital budgeting of large investments in facilities, fixed assets, and allocat overhead to each product as costs and profit centers collide. High-end Enterprise Resource Planning (ERP) systems make these tasks easier but add complexity to the entire process.

Step 1 – System Selection

Today, Technology and Mobile Devices have caught-up to the demands of the market and now it is a race to deliver information to the end-user. But, even with more affordable hardware and inventory software solutions, it is difficult to get the procedures and processes in place to start tracking the ins & outs.



While MCNi360 gives you utilities for your inventory activities that require a human's touch, your accounting or ERP system holds the inventory information that binds it with your finances. Make sure that you have the inventory system that will give you what you need with the size of organization you have. Some higher-end systems require more steps to accomplish the end-result.

Step 2 – Item List, Classes and Chart of Accounts

Involve your CPA to make sure you have your inventory items coded the way that will make both profit analysis and tax-prep easy. Make your item list look rad! Be consistent in how you number your items and have a plan that will make products more identifiable like including the manufacturer's part number and barcode information (MCNi360 will pick that up automatically). Using classes will let you filter and group your product types for effective use. Your accountant will also help you establish reporting tricks to better watch high-valued items vs low-risk commodity items.

Most systems give you the ability to select the way you identify the cost of items that are being sold. We have not experienced inflation in a long time, but nobody expects that to continue ad-indefinitum so before you lock in a valuation method, have your CPA dust off his monocle.

Step 3 – Lock It Down!

The first two steps are precursors to the types of automation MCNi360 delivers – they are usually structured early on when you set up your organization. When you are ready to get aggressive about your inventory control, make sure that MCNi360 is implemented and widely used – do not start your staff with MCNi360 at the same time you implement new inventory rules.

The screenshot displays the MCNi360 dashboard interface. The top navigation bar includes links for Customer Center, Dashboard, Change Password, Support, and a user profile for John. The main content area is titled 'Restock Info' and contains a 'Selected Device' dropdown set to 'JOHN', an 'Order Date' field, and a 'Select Order' dropdown set to '94358 - 1/29/2021 - N'. Below this is a 'Notes' section with the value '94358' and a 'Total Weight: 0' indicator. A 'Replenish Order List' table is shown with the following data:

Action	Item No.	Qty. Ordered	Confirm	Description	Bin Number	Qty. Shipped	Scan Code	Uom
	100M	14		Microfiber Orbital Bonnet 11 in		0		
	MIR-23-000-000	1		Mirka Gold 3 Inch Grip Disc 800 Grit, 50 per		0		

The left sidebar contains a navigation menu with categories like 'Chemicals R Us', 'Daily Processing', 'Inventory Movement', 'Adjustments', 'Inventory Count', 'Inventory Transfer', and 'Reports'. The 'Restock' option is currently selected, showing a list of users including JOHN (11), MIGUEL, OFFICE, and TODD.

While it takes a mere 30 minutes to learn how to use MCNi360, give your team 2-3 weeks using the system so that they can discover all the productivity tools. Get them submitting stock requests and practice with inventory counts – this gives a sense of comfort and a good segue to new inventory procedures.

Step 4 – Counts and Timing

Pick an end of a month or end of a period that will make sense with your accounting folks and plan how everyone will count.

- Look for timing delays and products in-transit at the time of your count. If you have inventory en route to a remote warehouse, make sure that it is properly accounted for.
- Tag-team counts, to ensure that more than one person is counting each location. Not only does this make the job easier, but it also keeps everyone honest.
- **Tag** the high-value products counted, if possible.
- Do not let the process drag on more than the day, this will create more reconciliation steps and opportunities for accuracy to slip.
- Organize and clean during the process. This creates an expectation of running a tight ship.

Step 5 – Implement Restock Analysis

One of the most beneficial features of the MCNi360 Inventory module is the ability for the system to compare items sold by a rep/location to the products that have been requested and shipped to that location. It will never be spot-on because of timing and order quantities, but it will be close. This analysis identifies items sold under the wrong SKU and possible theft.

The screenshot displays the 'Restock Analysis Report' in the MCNi360 system. The report is filtered for 4,051 items, selected by sales rep MF, from 01/01/2021 to 02/14/2021. The table below shows a sample of the data:

Item No	Description	Request	Ship Qty	Sold Qty	Cost EA \$	Tot Cost	Sales \$
7BCP814-2	ALK C CONTRACTOR PACK 12/PK	2	2	2	\$17.15	\$34.30	\$34.30
7BCP815-2	ALK AA CONTRACTOR PACK 24/PK	9	5	9	\$16.99	\$84.95	\$152.91
7BCP824-2	ALK AAA CONTRACTOR PACK 24/PK	6	5	6	\$16.99	\$84.95	\$101.94
7BCP825-2	ALK AAAA BATTERY 2/PK	0	0	0	\$9.70	\$0.00	\$0.00
7BCR1620	3V LITHIUM KEYLESS ENTRY BATTERY 1620	0	0	0	\$2.67	\$0.00	\$0.00
7BCR1632	3V LITHIUM KEYLESS ENTRY BATTERY 1632	0	0	0	\$2.43	\$0.00	\$0.00

The interface also includes a 'Cancel' button at the bottom of the report area and a footer with copyright information for 2020 Aulabaugh Consulting Group, Inc.

Step 6 – Do Not Wait!

DO NOT think that once your inventory counts are done and adjustments are made in the system that your attention to inventory should shift. Implement process steps in MCNi360's Sales Rep Management for your sales reps to cycle count items, especially higher valued items.

If your inventory has high velocity, implement some of the other MCNi360 features like daily Count-Out and Count-In. Start tracking the inventory that your customers keep on the shelf via the Par features in MCNi360 and MCNi360 Advanced. This not only helps you control your inventory, but it also improves your customer's experience since your customer takes solace that you are watching his/her interests.

Well, are you still awake? I know that there is not much more exciting than reading about inventory, but better tracking inventory means better management of your company and we all know what that leads to (\$)! I encourage you to sign up for the MCNi360 Newsletter for more melatonin producing articles on inventory control.



MCNi360
866-576-6264
sales@mcni360.net

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