A Guide To
Inventory Management Best Practice

CloudZone One has explored some of the best practice procedures used by our clients to deliver real business benefits.

Good inventory management brings many benefits including greater efficiency, productivity and consequently, profitability. We've worked with many wholesale distribution and retail businesses over the years and have outlined below some of the best practices we've come across.

Take inventory management seriously - it's the heart of your business

While the thought of carrying out stock control usually raises groans from the staff, it's critical to business success in many ways.

You need to collect and record all items in your inventory but, at the same time, you can take the opportunity to organise your products. For example, separating products by type variations and placing each in specific locations. This product mapping improves the movement of goods in and out of stock and makes many ongoing and associated business processes more agile.

How to record the data

There are a few different ways to collect inventory data:

- manually using pen and paper
- using online spreadsheets
- using an inventory management system - like NetSuite

Using pen and paper or spreadsheets will inevitably lead to errors. Information could be out of date as soon as you've written it down! Manual input is open to errors - as is any double data entry, items get missed, people get confused with the amount of information being collected and when it's a long job, boredom sets in which leads to not focusing and making mistakes - the list is endless!

Although the last option requires investment, in the long run, it will make your business more agile and competitive, errors will be greatly reduced, if not eliminated and you can make decisions based on trusted, up-to-date information. You can also manipulate the data to provide accurate forecasts of stock movements, ordering requirements etc.

Stop working with disparate systems - automate and innovate

ORACLE
NETSUITE

Recording all the important information

However you do it, it's essential to know what relevant information you need to collect. Having the correct information will allow you to make good decisions that positively affect the operational and financial performance of your business.

Inventory items have a large amount of information that can be key to decision-making. This typically includes:

- reference number or asset control number
- cost
- category
- manufacturer
- location

Seller-specific information such as order numbers, colour, size, model, etc. can also be included.

With good information at your fingertips, you can monitor the life cycle of each item, from the purchase date to the sale date and the cost and price of sale etc.

Costs and revenues - manage them closely

It's good business practice to monitor your stock – and take into account the value of the products, turnover and profit margin.

You should identify which products sell the most and which generate the most significant profits. Also, take into account the selling price (including discounts) of your items.

Comprehensive business systems will integrate purchase and sales management which delivers greater accuracy in your inventory control. With this information, you'll be able to:

- focus on the most profitable products
- know which products have the best and worst performance
- manage discounts keeping them aligned with performance

Use one system for everything

Managing your inventory from multiple systems and manual spreadsheets is a huge timewaster and leaves you open to errors, out-of-date information and incorrect data. Operating from a single system to track and manage your inventory will deliver the following benefits:

- centralised information and automated processes
- reduction in errors
- ability to monitor the movement of stock items - from receipt to sale
- monitor and manage inventory levels

A sound and reliable business solution delivers many benefits and advantages

Have the right stock - and the right amount

Running out of stock is one of the most dangerous issues for any wholesale distribution or retail business and will very quickly lead to dissatisfied customers.

Monitoring orders and sales/buying patterns of products is a key strategy for controlling inventory, business growth and maintaining high levels of customer satisfaction. Being alerted to low stock or sudden changes in order patterns (ie at peak seasonal shopping times) will ensure you can take a proactive approach to inventory management.

What to do with old stock

Managing old stock wisely can avoid having to write off goods due to obsolescence or expiration. In turn, this will help to avoid financial losses.

Being able to quickly analyse inventory that isn't selling as fast as it has been – or isn't selling at all - means you can take action – offer discounts, create bundles, etc. It will also prevent further stock from being purchased!

With a comprehensive, proven, cloud-based business solution that incorporates advanced inventory management and following the best practices above, you will keep your stock up to date and consequently, keep your customers satisfied.

In conclusion

These are the best practice tips from our clients:

- carry out the stock takes
- use an inventory management solution to record the data
- record the right (important) information
- manage the costs and revenue figures closely
- always have stock - and the right amount
- manage the old stock

About CloudZone One

CloudZone One was formed in 2014 with the driver that NetSuite solutions and its own professional services could help businesses in New Zealand and Australia manage and operate better and smarter. Formed by a team with over 30 years' experience in helping companies to grow using the best technology. We specialise in providing cloud-based configurable software solutions, professional services, and reporting/data insights to help businesses succeed.

Based in New Zealand (Auckland, Christchurch) and Australia (Brisbane, Sydney) we have a strong team of qualified and experienced consultants, solution architects and support analysts, who help you though each stage of your journey.

We have helped numerous clients achieve their business goals with great NetSuite solutions.