

SUPPLYCHAIN

THE OFFICIAL MAGAZINE OF THE SUPPLY CHAIN MANAGEMENT ASSOCIATION 04 2015 CANADA

The Importance of **COLLABORATION** in Supply Chain Management



**Annual Survey Results
Overview Inside!**

IT ADVANTAGE

IT inventory systems can launch small to mid-size companies light years ahead

By Heather Hudson

Does your small to mid-size business' inventory system consist of passing around a spreadsheet from data entry staff to the account department out to the warehouse and over to management?

If so, you could be making costly mistakes and miss out on advantageous efficiencies.

That's according to Louis Leung, co-creator of InFlow Inventory, a supply chain business management software for small to mid-sized businesses.

"If [your company] lives and dies by your margin, you need to have accurate cost tracking numbers," said Leung.

"Emailing around the same spreadsheet every day will work, but at some point it breaks down. Synchronization is really important for maintaining cash flow. When you have accurate reporting numbers, you'll have a better grasp of your own supply and demand."

We've put together some important Q&As to show you how IT inventory systems can help your business be more efficient and how to implement one.

WHAT IS AN IT INVENTORY SYSTEM?

At its heart, an IT inventory system is a central repository for all of the critical information associated with running your business. It allows employees and management to see real numbers in real time.

"[An IT inventory system] helps manage the chaos. Usually in a wholesale situation you have guys in the warehouse filling orders, data entry people in the office taking orders from customers and an accounting department to ensure you're invoicing customers for orders. Then you'll have management wanting to use those numbers to make intelligent decisions," said Leung. "An IT inventory system helps pull all of that together."

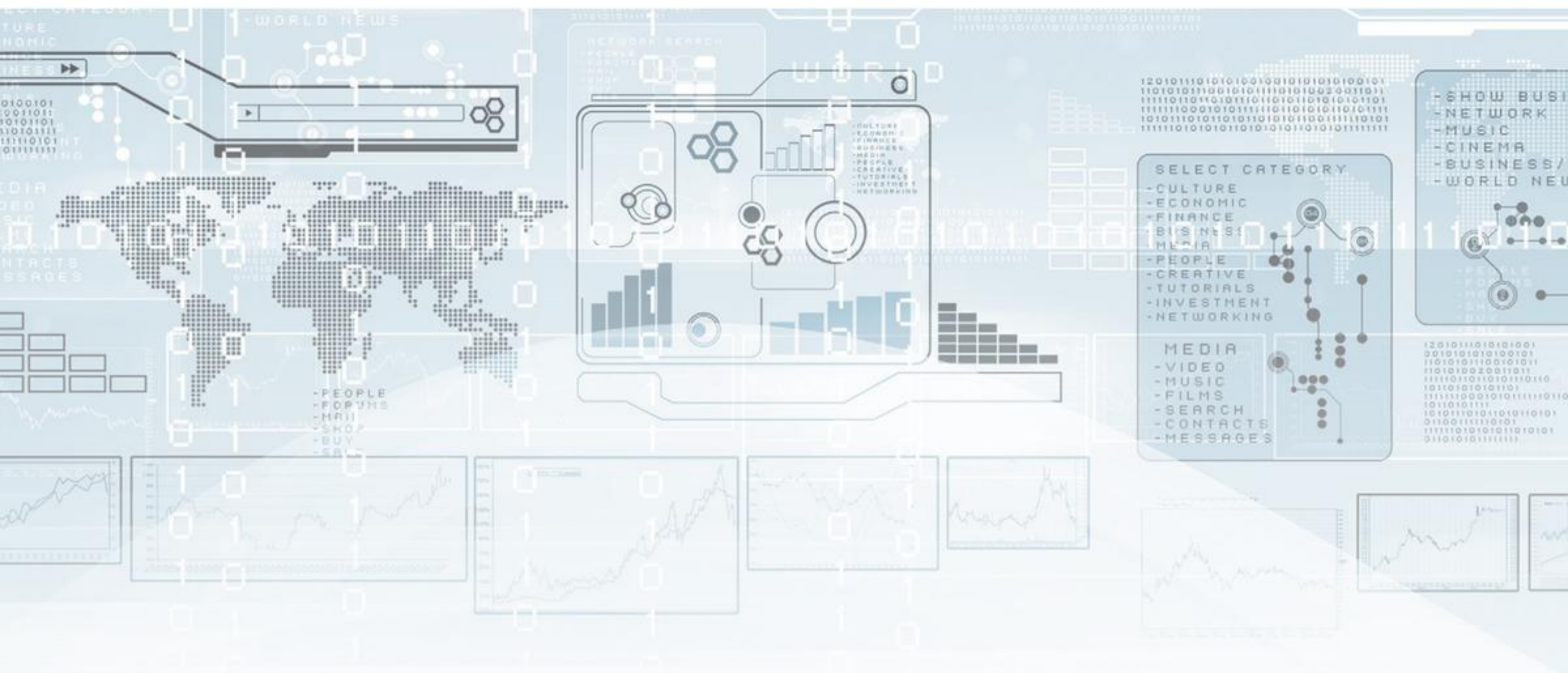
WHAT FEATURES ARE MOST USEFUL?

When small businesses start out with an IT inventory management system, the first thing they'll notice is the convenience of having all of the numbers available in one place and in real time. This often saves time and creates efficiencies.



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– LOUIS LEUNG, CO-CREATOR, INFLOW INVENTORY



COMPANIES THAT COLLABORATE EFFECTIVELY ACROSS THE SUPPLY CHAIN SEE REDUCTIONS IN INVENTORY AND COSTS AND IMPROVEMENTS IN SPEED, SERVICE LEVELS AND CUSTOMER SATISFACTION.

But Ralph Chen, an inventory auditor at RGIS, a third-party inventory service provider, says adept users will take advantage of efficiencies that involve the entire supply chain.

“IT inventory systems can help you make decisions, manage your supply chain and automate orders,” he said. “For example, you can set your material inventory at a certain point and when you run out of stock, it will automatically re-order it from your supplier. It takes very little manpower to manage the system.”

Chen’s favourite features of the IT inventory system are:

- Warehouse management: Helps employees manage the warehouse more efficiently, i.e., employees can record all the consumption history, the stock, the material location and bin, idle material, etc.
- Material planning: Uses the inventory information to plan material coming in, including re-order point, economic order quantity, safety stock and consumption history analysis
- Procurement: Helps analyze the inventory cost so your procurement specialist can assess the procuring cost compared to the new purchasing cost

HOW DOES AN INVENTORY SYSTEM IMPROVE QUALITY?

“We go to site visits for our customers once every few months to see how they’re using [the IT inventory] software,” said Leung. “A lot of the change that we see is a function of the fact that the chaos is managed and things are just sped up and more efficient. When a company’s customer calls with a question, an employee can pull up the information instantly with all the data available. We see better customer service and increased efficiency within the organization.”

ARE THERE DIFFERENT INVENTORY SYSTEMS THAT ARE MORE SUITABLE TO SMALL BUSINESSES VS. LARGE CORPORATIONS?

Most large corporations use enterprise resource planning (ERP) systems such as SAP, Oracle or People Soft that may cost hundreds of thousands of dollars to implement – and come with a consultant to tailor a solution for your business.

For smaller businesses, companies like Archon Systems offer more affordable software solutions that staff can download

and start using. They include functions that help with the warehouse management, material planning, procurement and production planning.

HOW DO YOU SELECT THE RIGHT IT INVENTORY SYSTEM FOR YOUR BUSINESS?

Choosing the right system depends on your needs.

“Some companies need more accurate inventory planning so the system must be customized with an inventory module, such as how to define the order point, safety stock and history analysis of rolling forecast,” said Chen.

Leung advises looking for features your company will use. For example, if your company deals with products with serial numbers or large amounts of raw material measured by weight, be sure the IT inventory system has fields that accommodate the way you track.

“We always tell our users to first understand what you want. Sit with all stakeholders, including management, warehouse and data entry staff to find out what each department needs. How do they currently work day to day? What would make their work more efficient? Then research what would work best.”

Another consideration: your supply chain. Chen has found that companies that collaborate effectively across the supply

chain see reductions in inventory and costs and improvements in speed, service levels and customer satisfaction.

“Inventory movement and storage is, largely, at the heart of many supply chains that involve product flow. Organizations must strike the balance between supply and demand, and implementing an IT inventory system can aid in finding that balance and the right formula,” said Chen.

Many companies allow you to try their software for a 30-day period to be sure it fits your needs.

“It’s really important to try it out to see if it fulfills all the criteria. Consider the security functions – where is important information stored? Can it take a lot of data? What happens when the Internet goes down? Ask these questions and get answers that satisfy you,” said Leung.

The final, critical element is to ensure the software is easy to use. Consider all of the users in your company that will be interacting with it. Can they pick it up easily? Is it easy to train new users on it?

“If they can’t pick up how to use it on day one, it’s a problem,” said Leung.

While an IT inventory system may not be as simple as the faithful spreadsheet, the time you spend researching and setting one up could prove to be the best investment you’ll ever make. 🍁

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