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6 Ways to Boost Your Inventory Management System Performance

This white paper explains how adding advanced inventory optimization software onto existing legacy management systems can increase operational and systematic performance.

EazyStock is the Market Leader in Inventory Optimization Solutions for Small & Mid Sized Businesses.

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Antiquated Systems Result in Expensive Supply Chains

Inventory management systems, also known as inventory management software, are systems designed to track each item of stock as it is brought into or as it leaves the warehouse so that inventory levels can be monitored over time. These systems are typically on-premise computer and server-based tools for tracking inventory levels, orders, sales and deliveries. They can also be used in the manufacturing industry to create a work order, bill of materials and other production-related documents.

Companies use inventory management systems to avoid product overstock and stock out situations. It is the most commonly used tool today for organizing inventory data, whereas historically finance and operations typically replied on spreadsheets to manage inventory levels and purchasing practices.

Inventory management systems are very popular tools for suppliers, wholesalers and distributors of durable goods products, but these stakeholders all share the same challenge; diminishing profits and inflated supply chain costs.

Businesses that use these types of software, usually aim to operate under lean inventory conditions to ensure less cash is tied up in inventories, which delivers a distinct advantage and operational flexibility over their competitors. The big issue however is getting old and antiquated technology to keep up with the speed of business today.

Inventory Management Systems In Today's Business Landscape

Integration is a Key Component to Keeping Costs Contained

> " *44% of companies are using a combination of systems including their ERP software to manage inventory.* "

Enterprise Resource Planning (ERP) software is the most widely used system by distributors and manufacturers to manage inventory levels and day-to-day operations. Inventory and operations managers use an ERP to manage inventory balances and inventory procurement execution. While ERP systems help to manage company-wide resources, they are very costly to implement and maintain over time.

In a recent Software Advice study, as many as 44% of companies are using a combination of systems including their ERP software, Excel, and either warehouse management software or antiquated accounting software like QuickBooks to manage critical data and to make important operational decisions.

The same study reported that 59% of prospective buyers cite ERP integration as a top reason for wanting a new system.

In the last decade, already complex supply chains have gone global and costs have become increasingly difficult to contain and competitive advantages have all but disappeared in an ever-increasing completive landscape. Many distribution companies have turned to add on cloud based products to supplement outdated or legacy ERP systems for more advanced inventory optimization capabilities.

Is Your Inventory Management System a Cost or Profit Center?

Legacy Management Systems Lack Critical Functionality

For reference, inventory optimization software is designed to actively manage the inventory within a warehouse or network of warehouses while systematically maintain the optimum levels for operational efficiency. Simply put, optimization software ensures the right products are in the right location at the right time while ensuring extra inventory is not being stock piled building up costs. These systems are specifically designed to manage stock in wholesale distribution operations, so the narrow profit margins of such an operation are mitigated by intelligently managing stock levels.

Traditional Warehouse Management Systems (WMS) and Material Resources Planning (MRP) software differ from advanced inventory planning programs in that they often require a great deal of manual input, and the data is seldom accurate at any given point in time. Advanced inventory optimization software is newer to the market and is designed to actively manage inventory using real time data to provide an up-to-the-minute picture of stock levels, allowing inventory managers greater insight into their operational efficiency.

Optimized demand forecasting, planning and order replenishment practices executed in optimization software have historically produced a 30% or greater reduction in carrying cost for wholesalers and distributors. Traditional systems lack the optimization capabilities to drive these types of savings in the supply chain.

Challenges in the Wholesale Distribution of Durable Goods Industry

Risk Mitigation and Cost Containment are Critical Factors

While most organizations have some form of software for stock management, they often rely on generic programs such as Microsoft Excel to manage inventory. This can have a negative effect on the business, as these systems require a great deal of manual input and analysis.

The increased labor and staffing costs may negate any saving on stock management, and the accuracy of the data at any point in time are low. Most businesses won't realize they have been managing their inventory wrong until it is too late.

These out dated processes can result in capital being tied up in excess stock, and the resulting poor demand forecasting can result in oversupply of low-demand items leading to inventory obsolescence. Excess stock can also lead to an increase in carrying costs due to the expanded use of warehouse space. These are all costly challenges faced by wholesale distributors of durable goods.

Many WMS and ERP systems are legacy applications that are decades old, and while they may record and manage stock levels, they do nothing to optimize inventory. In addition, the high running costs of hardware for these systems means that they are often expensive to maintain, yet the functionality remains limited.

Multi-Echelon distributors will also often have a WMS for each individual warehouse location, but with no centralized system in place there is no capability to move excess stock to where there is an under-supply. Without interconnected inventory systems or visibility, most businesses end up purchasing unnecessary stock from suppliers to fulfill customer orders, whilst the stock is already available for use in another warehouse that has a lesser demand. Inventory optimization software can extend multi-echelon and inventory redistribution capabilities to a struggling operations model without the need to replace legacy ERP systems.

6 Ways to Boost Your Inventory Management System Performance

## Integrating Software Extends Power of Your Current Systems

The rip and replace model for switching inventory management systems can be extremely expensive and typically takes years to realize value and return on investment. Below are 6 ways that inventory optimization solutions can extend advanced features and functionality to your legacy inventory control systems so you do not have to switch your management system.

1. Optimization solutions drive actionable results for users and stakeholders:

- **Management:** Better customer service and order completion boosts the reputation of the company and aids executive management goals to grow the brand and market share.

- **Finance:** Financial managers are better equipped to achieve strategic financial goals owing to reduced carrying costs and reduced working capital tied up in stock.

- **Operations:** Operational managers will benefit from reduced staffing costs and an increase in efficiency and ease of operations, owing to the increased automation of the system. It also reduces the element of human error, which can drastically increase profit margins annually.

2. Enhanced features and functionality for inventory management:
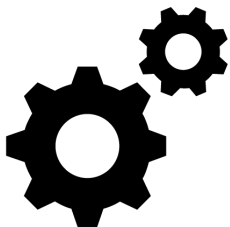
- Intelligent monitoring of stock enables accurate stock procurement and the elimination of obsolescence. At the same time, stock is always available, while service rates remain high.

- A centralized system enables inventory to be monitored across the business so that stock can be redistributed as necessary between stocking locations.

- Excess stock reports are generated to aid redistribution execution and helps planners avoid purchasing excess stock.

- Inventory replenishment becomes automated, and the reordering process is optimized, so that stock levels are kept at the ideal levels for maximum operational efficiency.

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3. Seamless systems integration with existing software platforms:

- The use of API integration means that inventory optimization systems can work alongside and complement any type of existing ERP or resource management systems.

- Cloud based add on software, like EazyStock, requires no on going maintenance costs or infrastructure investments and can be operational within weeks not months or years.

4. Real time access to data, reports &systems alerts:

- The system has a dashboard interface that provides alerts in real time, as well as, being able to generate reports on current inventory levels. This enables managers to have an overview of stocking levels in real time across all their different warehouse locations.

5. Reduce your total cost of ownership:

- Software-as-a-Service (SaaS) technology rolls in the implementation costs and maintenance as part of the service offering typically in the form of an annual contract subscription. This model reduces the operational overhead and running costs compared to other in-house software systems.

6. Rapid return on investment:

- Since deployment of optimization solutions can be completed within weeks, businesses can actionably start cutting costs to drive results within the first quarter of launch. This process results in a quick reduction of inventory levels and carrying costs while boosting up profit margins.

Future Trends in Inventory Management

Cloud Computing is Redefining the Status Quo

Inventory optimization software complements existing ERP legacy applications via simple integration with easy access to data and reports via web based applications. This means that the software can be used to enhance existing systems rather than there being a requirement to overhaul the entire legacy system or IT infrastructure, which could take years and hundreds of thousands of dollars to replace. Despite being new technology, data can be bi-directionally and seamlessly integrated with existing inventory management systems to provide a specific stock management system that can either stand-alone or be used as part of the ERP.

The systems can be accessed company-wide so that there is a centralization of stock information to aid redistribution and tracking of stock, allowing for greater visibility of operations. In addition, many of the operations that required manual input are becoming automated: stock is ordered automatically based on historical sales forecast analysis to keep inventory in check, and order-picking is automated in many businesses based on intelligent ABC analysis reports. Easily phase out end of life products while rapidly introduce new product entries to the market place.

The storage of data, systems security and hardware costs associated with data management can now be easily managed off premise in the cloud. In addition to inventory data being stored in the cloud, existing ERP information in on premise systems can also be uploaded as part of the service, freeing up storage space and reducing the need for storage hardware. Bi-directional integration helps take some of the burden off old and antiquated ERP systems.

How to Optimize Your Inventory

Schedule a Free Demo

Thank you for reading the 6 Ways to Boost Your Inventory Management System Performance. This white paper is a knowledge article produced by EazyStock, a cloud-based inventory optimization software.

With EazyStock, businesses have the ability to see exactly how much excess stock they are carrying in inventory and the associated costs via our free inventory health check analysis. Our team of inventory optimization experts can help you measurably improve your demand forecasting, supplier planning, inventory optimization, and inventory purchasing processes.

EazyStock customers report strong financial results within the first six months of implementation, including the following:

- Decrease inventory levels by 30%+
- Decrease stock outs by 10-15%
- Identify and address excess and obsolete inventory
- Decreasing supplier lead times from 30-50%
- Increasing planner productivity 10-20%

Click the button below to sign up for a **free demo** with an EazyStock technical advisor.

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