



Distribution One White Paper

Growing Customer Trust through Inventory Control

Maximizing the Value of Data in ERP Software

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Abstract

This white paper is designed to help growth-minded distributors nurture customer trust through expanded inventory control via ERP business software.

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Executive Summary

What is both the most important yet most overlooked core attribute relating to inventory? Investment? Turnover? Accuracy? Each of these is a critical consideration for distributors, yet they ultimately yield to an even greater resource: **customer trust**.

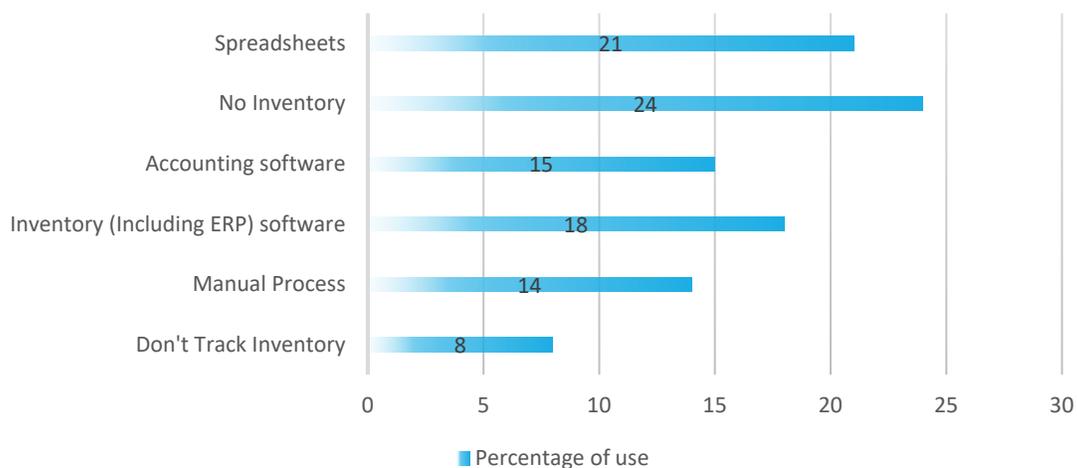
From either repeat shoppers to first-time buyers, every transaction is a simple but critical test of your company's ability to build trust through order fulfillment. From the customer's perspective, order fulfillment is nothing more than an invisible system on the other side of a phone or computer screen.

Customers have little concern for subjects like inventory valuation and dead stock—topics that plague the dreams of warehouse managers. Nor should they be bothered by those experiences. Of primary importance to the customer is the simple validation of their trust through the receipt of the exact product they ordered within a reasonable window of time.

The distributors' responsibility in this relationship, on the other hand, is much more complicated. It involves everything from offering the item for sale and order acceptance through to successful customer delivery—the fulfillment of customer trust.

Despite this fundamental detail, it's surprising that some companies don't do more to strengthen the inventory processes responsible for maintaining trust. A recent survey ⁽¹⁾ of 1,100 small businesses by WASP Barcode found that a surprising 43% of small businesses do not track their inventory or use a manual process.

WHAT SMALL BUSINESSES USE FOR INVENTORY



1) State of Small Business Report, WASP Barcode Technologies, 2017

Distributors live and sometimes die by how they manage their inventory. Having a significant amount of capital tied to inventory, distributors must implement a comprehensive Inventory Control system to avoid:

- Backorders resulting in customer dissatisfaction, cancelled sales, and lost revenue
- Dead stock resulting in decreased turnover and excess inventory
- Incorrect stocking and counts resulting in discrepancies within on-hand amounts

Having an Inventory Control solution that alleviates and automates the inventory process is a key step to upholding customer trust in the face of mounting competition and a fluctuating market. The following pages highlight the benefits of Inventory Control within Enterprise Resource Planning (ERP) software versus the struggles of a manual inventory scheme.

Inventory Control vs Inventory Management

Often these two terms are used interchangeably without realizing that one is actually a subset of the other. Inventory Control is the *what, where, and how much* qualities of available on-hand inventory. Inventory Management, on the other hand, involves the activities surrounding sourcing, forecasting, and replenishing of products. Without accurate Inventory Control, effective Inventory Management would not be possible.

It's common knowledge that inventory is one of the largest investment components for companies. In the US alone, days inventory on-hand (DIO) grew by 10.3% to 49.1 days (up 4.6 days from 2015). This equates to about \$421 billion in capital tied up in inventory.⁽²⁾ These surprising statistics demonstrate that better inventory methods need to be utilized in every industry.

Ensuring data accuracy and inventory turnover is critical to both **lowering costs** to maintain competitive advantage and to **driving sustained profitability**. Yet, the antiquated method of managing inventory via spreadsheets is a time-consuming and error-prone endeavor. Companies looking for current and future growth are correctly identifying the need for improved inventory performance and are, in turn, choosing to implement a comprehensive ERP software system.

Interconnected business software incorporates current “best practices” of data management, while standalone programs and manual methods fall far short. This list comprises the top three data management advantages provided by ERP software over manual processes for **Growing Customer Trust through Inventory Control**:

- Data Accuracy
- Data Accessibility
- Data Security

2) Based on 1,000 US companies tracked by the Hackett Group's working capital division, US Working Capital Survey, 2016

Is Data Accurate?

For distributors, the most critical component of Inventory Control is data. Customer and order information, part descriptions, stock counts, product locations, ordering projections—each constitutes a key piece of the overall Inventory Control system, and it is the company’s responsibility to maintain this data correctly. After all, customer trust ultimately hinges on a company’s ability to maintain and trust its own data.

For companies who rely on manual methods or disparate software applications for inventory control, maintaining data accuracy is a perpetual challenge. Because of the disconnected flow of compartmentalized data from sales to the warehouse to purchasing, inventory managers must continually verify and report stock levels and locations by conducting costly manual counts. While such efforts will deliver an accurate at-the-moment warehouse report, they rarely incorporate impending sales and trending products leading to potential fulfillment delays.

Beyond this, issues with data accuracy can also stem from occurrences like misreported warehouse transfers, item returns, and incorrect stock locations. A common way for distributors to help manage inventories involves setting up a SKU (Stock Keeping Units) system whereby every item is represented by an individual SKU.

While it is good practice to set up SKUs to be quickly identifiable by warehouse personnel, it’s not a convenient process for conducting quick manual counts on spreadsheets within a warehouse holding hundreds of products. Moreover, SKUs are typically unique from one company to the next, and distributors receiving multiple parts from various manufacturers may assign their own SKUs to those same parts.

With an interconnected ERP business system, there is no need to manually decipher codes or learn naming contrivances of multiple companies. The software handles it all. For warehouse workers, the once-laborious activities of picking and stocking becomes a smooth system of scanning codes and pinpointing exact locations. Because the software actively maintains precise counts of the inventory SKUs at every stage of the supply chain cycle, both sales and purchasing will be better informed when making decisions.

SKU creation:

In a manual system, the SKU can be set up to be “read” by warehouse personnel for picking or stocking items. For instance, a 2 ¾” yellow color-coated Phillips round head bolt could be coded: “2-3QinB_PhRH_NRY” for the size (2 and 3 Quarters inch), type of product (Bolt, Phillips Round Head), and secondary properties (Non-Rust Coat, Yellow color).

Is Data Easily Accessible?

In manual systems as well as standalone software programs, customer, item, and sales data are not easily shared across departmental boundaries. To further complicate matters, some software also lacks the necessary functionality for conducting deep system-wide searches. Such limitations force the question: what good is having data if it can't be successfully accessed?

Accurate data is only effective if users can retrieve it on demand. For a distributor, any delay can impede decision making and lengthen order turnaround times. Implementing business software with interconnected applications eliminates these otherwise avoidable interruptions.

A study by IDG Research⁽³⁾ measuring how companies are affected by data quality, accessibility, and mobility in Mid Market ERP systems found:

- Companies with more effective data **grow 35% faster**
- Usable data **increases productivity by 10%**
- Better data improves consistent **quality delivery to customers by 9%**
- A **20% improvement in data accessibility** will result in a **3% increase in sales** to new customers!

These results illustrate the real power of data accessibility. Any software solution must allow for multiple layers of description fields that can be searched against anywhere in the system. At the very least, ERP software should allow:

- Multiple descriptive fields per item to store all related information (SKU, catalog reference number, competitor ID, etc.)
- Searching against all descriptor fields to ease ordering and sales inquiries no matter what SKU or barcode information is supplied by a customer
- Superior data discovery resulting in double or triple productivity with reduced human error
- The ability for users to report against the data
- Vendors to send their file to import directly into the system

Another key measurable described in the IDG Research study⁽³⁾ involved mobile access. Specifically, companies reported that having mobile access to their data increased sales of new products by 5% and increased sales 3% to new customers. In an increasingly connected society, these results are not all that surprising. However, such results highlight the demand for mobile connectivity in ERP software.

3) Impact of Data Effectiveness, IDG Research Services, 2014

Is Data Secure?

In addition to data accuracy and accessibility, successful inventory control also demands customer, item, and sales data security. Companies correctly place a high priority on safeguarding the data on which their business runs. However, security varies wildly depending if inventory is managed manually or via ERP software.

It's no surprise that manual data security tactics typically fall into categories like storing company data on a desktop spreadsheet or filing paper ledgers in a locked cabinet. Disregarding the obvious accessibility issues, such practices place unnecessary risk on the inventory information needed to run daily operations.

ERP software, on the other hand, provides enhanced security that allows companies additional considerations and benefits. Both On-Premise ERP and Cloud-enhanced SaaS ERP encompass concrete systems for securely managing inventory data.

Through On-Premise ERP, companies are able to keep their business data onsite within servers managed by an in-house IT team. While this method is popular with some companies that prefer maintaining internal control over their data, On-Premise ERP does incur added expenses. Supplemental to the upfront purchase of the software, companies must employ or contract an IT team and cover the expense of maintaining in-house servers. In this option, it is the responsibility of the IT team to handle all software enhancements and version updates.

Cloud-enhanced SaaS ERP, on the other hand, is perfect for companies wanting the ability to connect to their inventory data at any time, in any place. For example, data access through associated mobile applications allows managers and salespersons to view real-time warehouse metrics when making on-the-spot business decisions.

The Cloud ERP solution involves a monthly maintenance investment while eliminating the need for in-house IT. Company data is hosted and accessed securely through experienced Cloud providers. Cloud providers store ERP data in a secure, enterprise-class environment that utilizes the industry's latest security best practices. Additionally, enhancements and software upgrades are handled by the ERP provider directly.

The benefits of ERP data security are immeasurable when compared against manual approaches. Correctly securing inventory data ensures the operational stability which is, after all, another pillar of building customer trust.

Conclusion

Through ERP software, distributors own powerful tools for managing inventory data. Accuracy, accessibility, and security comprise the fundamental structure for successful Inventory Control. The efficiency of this system and ability to deliver is ultimately what earns the trust of every customer.

ERP-ONE+ Inventory Control Core Functionality

ERP-ONE+ from Distribution One is a powerful interconnected ERP software solution that encompasses the points outlined in this white paper. The 64-bit On-Premise and Cloud Enhanced ERP provides all the features distributors need to correctly handle Inventory Control:

- Full integration with all in-system applications
- Multiple warehouses per company
- Item cross-referencing
- Barcoding
- Multiple units of measure per item
- Multiple vendors per item
- Product numbers (Catalog / Substitute / Upgrade / Supersede / Vendor / Complementary)
- MSDS (hazardous materials sheets, compliance tracking)
- Status codes per warehouse (stock, direct, order as needed, do not reorder)
- Item master and warehouse record
- Ordering parameters by warehouse
- 'Serial' and 'Lot' control tracking
- Usage by warehouse
- Order point/line point restocking methodologies
- Multiple forecasting methods (identified per item per warehouse)
- Seasonal item tracking and forecasting
- Barcode label printing by item, by receipt, by bin
- Multiple costing methods per item, per warehouse
- Transaction audit reporting
- Replenishment per item, per warehouse (vendor, alternative warehouse, internal/pre-built kit)
- Extensive inventory analysis (Surplus, Dead, Fill Rates, Turns, Budget)
- Physical and cycle counting (count sheets and/or reconciliation)
- Inventory and General Ledger reporting

About Distribution One

Distribution One is an industry-leading developer of innovative customer-focused Enterprise Resource Planning (ERP) software designed specifically for the needs of wholesalers and distributors. Formed in 1996 and headquartered in Mount Laurel, New Jersey, Distribution One operates a network of ERP specialists in eight states across the country. This team of 40+ skilled professionals thrives on providing solutions and live US-based support to customers across the United States, Canada, and into Europe.

Distribution One's comprehensive, interconnected ERP-ONE+ software delivers intuitive functionality that improves the entire business process from Order Entry, Invoicing, and Purchasing to Inventory & Warehouse Management and General Ledger activities. ERP-ONE+ also provides frequently requested features like Quality Control Tracking, RF Scanning, VMI (Vendor Managed Inventory), Lot Control, and supplemental components like EDI (Electronic Data Interchange), API (Application Program Interface), and BI (Business Intelligence) dashboards and reports. Moreover, the release of Mobile Apps provides customers with quick access to critical business functions from the convenience of a laptop or handheld devices anywhere business is being conducted.

Distribution One's 8000+ customer users operate in a variety of industries worldwide from fasteners, adhesives, industrial supply, and food service to electrical, retail, hardware, and janitorial supply to name a few.