

# 10 Inventory Must Do's

FOR SMALL- TO MEDIUM-SIZED MANUFACTURERS

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# Cash is king for manufacturers – from the owner down to the machine operators.

If you visit any manufacturer, you will see most have a keen eye on how everything is being used. Machines are generally only running if they are making parts; employees are typically only working if orders are coming in; and scrap is examined carefully to determine “How did this happen? How can we prevent it from happening again? What else can we do with this?”

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## **EVEN THE BEST MANUFACTURING OWNERS MAKE MISTAKES.**

But rarely, do they make the same mistake twice. If you ask them what some of their biggest mistakes have been, they are often tied to how their inventory was managed. Meaning, that was in the past and today they are doing something different.

### **What is different?**

After speaking with many manufacturing owners and many subject matter experts, the “different” is their business is choosing to live and die by the following 10 inventory must do’s with the help of ERP software.



# 1

## Clear Out The Inventory Garbage.

What does this mean? It means you must process your inventory correctly and consistently with no exceptions.

Your inventory processes should be documented and employees trained, retrained, and trained some more; and you should have absolute consistency in your product lines, units of measure, etc. Documenting your process also means knowing explicitly who owns what including inventory master, inventory costing and inventory quantity. Everyone should know what they are doing, when, why, and the consequences of it being done incorrectly.

And don't let the fox guard the henhouse. The employee responsible for transaction processing cannot have access to inventory adjustments. A few hours spent training employees will save you money and heartache (and maybe even a lost customer) when you try to make a part with inventory you don't have. Clear the garbage out of your inventory process, and you will be left with a much better result.

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We know exactly where every piece of material is 100% of the time. With live inventory transactions, forklift operators can see actual on-hand inventory numbers and location on the go.

*Chad Wengerd, IT Manager, Walnut Creek Planing*

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## 2 Regulate Your Inventory Counts.

Physical inventory or cycle counts should always be performed on a regular basis and produce accurate numbers.

By implementing regular inventory counts, this allows you to consistently ensure inventory accuracy throughout the year. We've found that our customers complete this in one of two ways.

The first being they cycle count daily or weekly, which means they count parts based on usage or dollar amount to verify their inventory is correct. If their numbers are getting adjusted, that means their inventory is off, and they must figure out what inventory transactions are causing the issue.

The second way our customers regulate inventory is by doing physical inventory, which calls for shutting down the shop floor and counting the inventory one weekend a year, sometimes two. To learn more about this, [download](#) subject matter expert Brady Steven's whitepaper titled "How to Achieve Perfect Physical Inventory in 10 Easy Steps." It is a great, superfast read that is likely to save you thousands of dollars a year.

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There's no question Global Shop Solutions has lowered our inventory costs. And we now know with a high degree of accuracy what we have in inventory and how much it costs.

*George Halages, President, Archer Advanced Rubber Components*

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## 3 Evaluate Unused Inventory.

Just like clutter in your home, obsolete inventory or low turn inventory should be evaluated on a regular basis, not just once a year.

Inventory takes up space and space is money. If something is taking up space and not moving, that is taking away an opportunity for something that you could be selling and bringing in more revenue for your company.

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With Global Shop Solutions, we've reduced raw materials inventory by 20% without disrupting our two-week lead time.

*Owen Yoder, IT/Systems Manager, Berlin Gardens*

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# 4 Know Your Business' Trends.

Keeping your inventory labeled is an important step in controlling your inventory between physical inventories. Be “hip” with your business.

Reorder, lead time, and order quantity should be reasonably accurate and should be evaluated on a regular basis (and again, this doesn't mean once a year). You know your business better than anyone and knowing when spikes occur throughout the year allows you to better plan on seasonal changes in your inventory. If your business is seasonal, you may need to adjust your min/max quantities throughout the year as well. A great way to evaluate this data is to be using [Key Performance Indicators](#) for your business.

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Everything we manufacture now goes through inventory. When putting together a quote, we can go back through inventory to see if we have done that particular job before. This gives us a much better idea of how to quote the job going forward.

*Alan Lowe, General Manager, HMC Instrument and Machine Works Ltd.*

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# 5 Research Your Vendor's Competition.

Your vendors win when you get lazy. So it's okay to pick-up those pesky sales calls every once in a while.

Listen to the vendor's sales pitch and what they have to offer as far as pricing and quality rating. You may be surprised by what they have to offer. If you stick with the same vendor year after year, you may not receive the best bang for your buck. Prices slowly and steadily creep up, and your discounts suddenly vanish. Evaluate cost regularly and do not ignore savings on buying items in bulk when appropriate. This can be an opportunity for blanket orders to come into play with your vendors, and you will receive a discount by planning ahead. But remember, this requires you to know your business trends and when those seasonal spikes occur.

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We now know our inventory costs because we always know what we have on hand with Global Shop Solutions.

*Bobby Baker, Vice President of Operations, Sigma Fasteners*

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# 6

## Automate As Much As Possible.

If job costing is a full-time job, then you probably have inventory issues.

By automating with our [Job Costing Accounting](#) application, you can spend less time worrying about what your finished goods cost and more time on creating a quality product. Good job costing leads to accurate inventory cost and quantity, providing you with an opportunity to automate part or all of this process every year.



Global Shop Solutions automatically balances current inventory with demand and tells me exactly what we need to order.

*Anne Felzke, Purchasing Manager, Zephyr Products, Inc.*



# 7 Record Your Inventory Flow.

You are what you eat.

As inventory is consumed or shipped, it needs to be recorded. Some of our customers manage this process with one person, a team of people, or they let their machinist move the parts. It's entirely up to you, and you can decide who manages that process based on how skilled your employees are and the type of material.

## THE INVENTORY FLOW PROCESS IS AS FOLLOWS:

1. Issue Material to Work Order
2. Bin-to-Bin Transfer
3. PO Receipts
4. WIP (Work in Progress) to Finished Goods
5. Location Transfers

You also have the option of backflushing and Auto WIP should you choose. If you make it to the last step and you have 10 good parts, then 10 parts are WIPed into inventory (finished goods). Spend a few minutes every time and record inventory flow immediately, and you'll save yourself hours in the long run.

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I'm constantly using the Inventory application to monitor open orders, labor dollars, estimated versus actual, and inventory levels. Every day I pull stats from the software regarding our customer mix, dollars shipped, and parts from inventory versus parts not from inventory, which helps me understand where our inventory levels need to be.

*Ray Suprenant, President, Davico Mfg.*

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# 8

## Listen To Your Business With ERP.

Hearing is the act of perceiving sound, but listening is something you choose to do. Move beyond “hearing” with your fully-integrated ERP system with MRP functionality and “listen.”

Manufacturers that are using an ERP system correctly are faster, smarter, and more profitable than those who don't. It isn't a question; it is truth, and we have [150 case studies](#) to prove it.

Listen to your business by viewing and analyzing the data your ERP system provides to see trends, view roadblocks and make better business decisions. Utilizing your [Business Intelligence application](#), KPI application, and [Dashboards](#), you can see inventory detail in real-time and allow you to listen to your inventory.

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We chose Global Shop Solutions for a lot of reasons, but mainly for its superb inventory control and job costing capabilities.

*Chase Erwin, IT Manager, Foam Design, Inc.*

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# 9 Correct Employee Mistakes Immediately.

In manufacturing, loose lips don't sink ships. They save them. Employee attitude and participation is the icing on the cake, and if an employee or machine isn't doing something correctly, don't let the ship sink.

For example, if you see Jane Doe routinely recording inventory, but she always misses a few parts, your inventory counts will continuously be off and you will be spending more money purchasing inventory you don't need. Speak to a manager or superior and let them know your concerns about the issues you're witnessing. Speak up and refer to Must Do #1.

Honesty is the best policy when it comes to business, especially with money being involved. By addressing inventory mistakes early on, you reduce the risk of losing money, inventory and production time.

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With Global Shop Solutions, we know the exact quantity of inventory used on every job and how much they cost. We also can track our labor with remarkable precision.

*Bob Holbrook, Vice President of Sales & Marketing, Gemini Plastics, Inc.*

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# 10 Always Ask Questions.

Don't guess how to do it – ask someone. There are unlimited resources available to you at Global Shop Solutions.

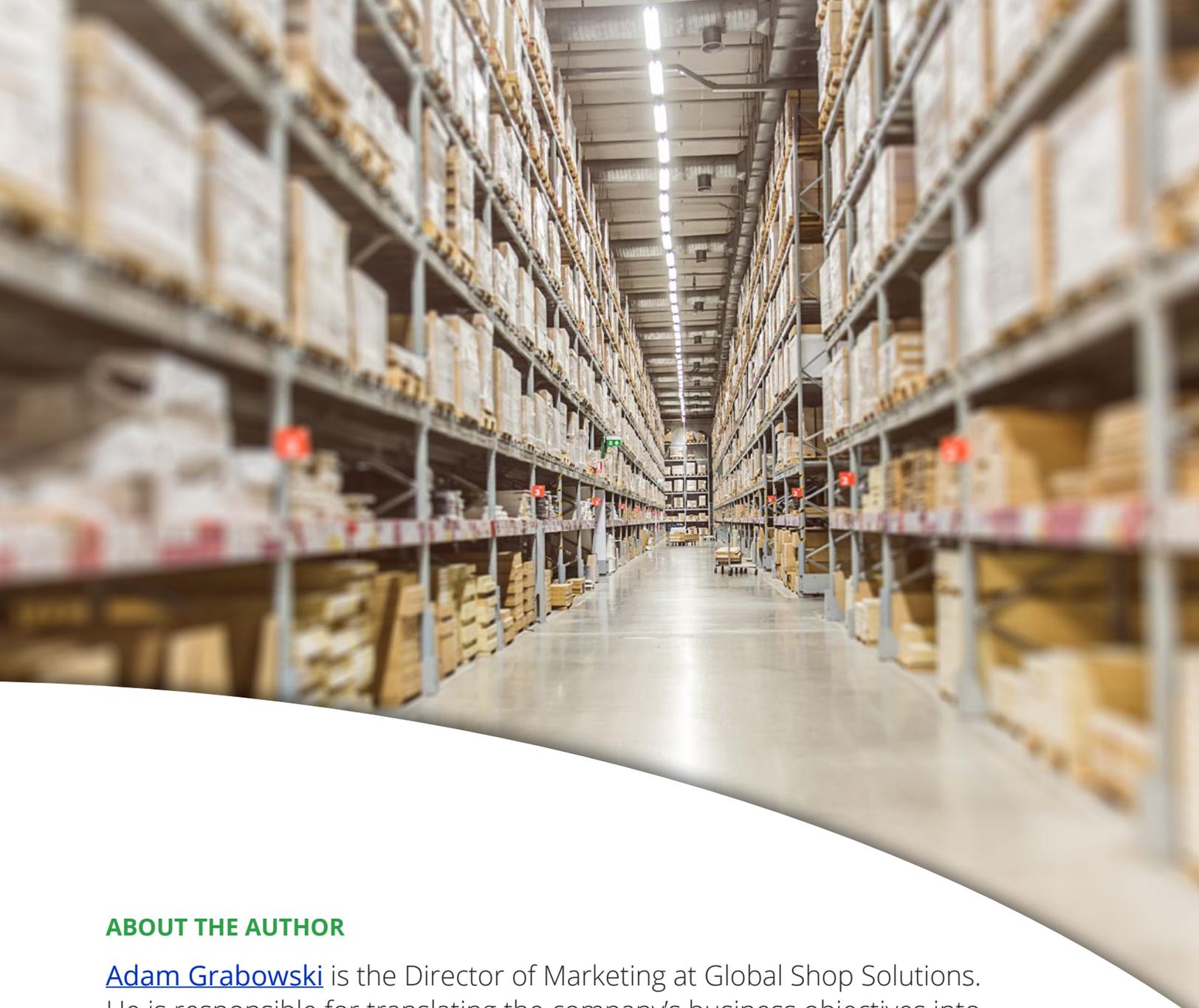
If you're a customer connect with your Customer Success Manager, schedule a Virtual Training with a member of our [Consulting department](#), or attend one of our 80+ training events a year. If you're in the market for ERP software, [see the software for yourself](#). We can connect you to some great customers if you have any questions. Don't let the fear of asking a "dumb" question keep you from managing your inventory the correct way and making money for your business.

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Global Shop Solutions has also been vital to us in inventory management. Our inventory accuracy is now around 90% – before Global Shop Solutions it was more like 60%.

*George Pacheco, Controller, Pazmac Enterprises Ltd.*

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## ABOUT THE AUTHOR

[Adam Grabowski](#) is the Director of Marketing at Global Shop Solutions. He is responsible for translating the company's business objectives into successful brand, marketing, and communication strategies to drive awareness, revenue, and loyalty.

To learn more about the 10 inventory must do's for small- to medium-sized manufacturers, call 1.800.364.5958 or visit [www.globalshopsolutions.com](http://www.globalshopsolutions.com).