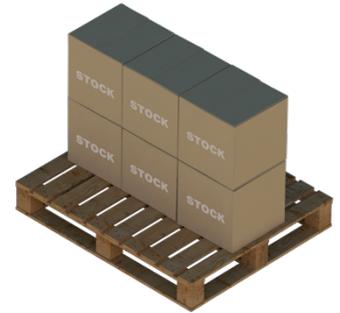


6 Steps to Improve Inventory Accuracy through Stock Counts

**INDUSTRY**

Distribution

LOCATION

Calgary, Alberta

SYSTEM

Sage X3

KEYWORDS

Distribution
Annual Stock Count

For large distribution companies who manage thousands of products, maintaining accurate inventory records is always a challenge. Often the physical inventory is different than what is captured in the ERP systems resulting in order fulfillment delays, missed sales opportunities or costly write offs. Performing a complete stock-take once a year is crucial, vital and essential for any company to maintain healthy inventory levels and minimizing losses, not to mention the legal requirements especially at the end of any fiscal year.

Our client, a large distributor of cannabis accessory products has several warehouses in North America and more than 6,000 items stored on heavy-duty racks and light shelves. The client also manages multiple companies with some products being exclusively sold through specific companies. Additionally, the client had also implemented a consignment model for a very specific product line.

One of the key pain points at the company was that they did not have an accurate stock-level of the items, and it was costing them with a high number of mistakes and repetitive activities to adjust the Pick Tickets and Sales Deliveries. These documents had to be reprocessed many times as they included products that were unavailable at the warehouse.

The previous year, before the client had moved the operations to Sage X3, the stock-taking and audit took them well over three weeks to complete. By analyzing this prior experience and then current status, Panni developed a well-structured stock-taking process anticipating what may go wrong. The secondary goal was to keep the employees engaged and focused during stock-taking to minimize mistakes. The process included steps required to determine the "real" and physical quantities stored in the racks and be compared to the theoretical amount. Using the Best Practices approach, we were able to manage the complete process in only 2 working days. Following are the 6 key steps implemented by Panni, which helped our client run an efficient stock count process and achieve maximum benefits.

1 Schedule Your Stock-takes to Reduce Impact on Business Operations

The annual stock count was scheduled for the last week of October 2019 (year end of the company's fiscal year). Two complete days were selected (Thursday and Friday) leaving a third day for checking discrepancies and a final revision from the external auditors. Sales personal notified their respective clients in advance, indicating the company would not ship any products during those days.

2 Clean and Organize Your Stockroom Before Performing Your Stock-take

The warehouses were cleaned and organized into areas identified as per the existing the layouts. Rack location labels were printed directly from Sage X3. All boxes were identified with products ID labels and the tools required for stock-taking were made available.

3 Only use Up-to-Date Inventory Data

The goal of a complete stock-take is to get an accurate count of the inventory that you actually have and compare it with your existing inventory data. A cleanup was done in **Sage X3** for all Sales Orders and Deliveries with client's pending status and the inventory was placed back on the racks. Items that were already invoiced to customers but had not yet shipped were separated. An additional cleanup was done for the Sales Returns and all eligible Purchase Receipts transactions were processed.

The count sessions were defined and created in advance considering each company's warehouse layout. The sorting criteria was selected as Location/Product and only 6 locations were included in each count sheet to facilitate the flow and workload of the Data Entry stations. In total, nearly a 100 count sheets were created.

4 Know What Stock You're Counting and How You're Counting it

At the initial meeting, **"blank" count sheets** were distributed among the stock-taking teams, instructing them to complete only the 1st count without knowing the theoretical value from the system. The data entry process in Sage X3 was done smoothly and the comparison between the two values was done "immediately". In some cases, a 2nd count was required when a threshold of a certain percentage was applied to the difference in quantity and of the discrepancy value defined was reached for every item. By the end of the first day, almost 65% of the count sheets were processed and, in some cases, the 2nd count verification was also completed.

At the end of the second day of counting, all the count sheets were processed, including the verification of the 2nd count. Only in specific cases, a 3rd count was required to validate the stock take process.

5 Value Your Stock Correctly

Once the data entry was complete for each count sheet, a valuation report that included the discrepancies with their associated cost was created and validated by the Finance department.

6 Develop Ways to Decrease Stolen, Broken or Slow-Selling Inventory

After the annual inventory was concluded, the warehouse personnel gained the knowledge on how to correctly manage the system and start using the functionality to adjust (whenever necessary) the stock levels with a random or special count session.

About the author



Alex Altamirano is an experienced Business Manager with over 20 years of experience leading business process transformation initiatives in the areas of distribution, manufacturing and supply chain. His industry experience includes cannabis accessories distribution and retail, food, oil and gas and industrial equipment manufacturing. He leads the supply chain and manufacturing business optimization practice at Panni.

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