

COMMON INVENTORY  
CHALLENGES THAT ERP  
SYSTEMS HELP SOLVE

ERP SYSTEMS CONTRIBUTE TO  
EFFECTIVE INVENTORY  
MANAGEMENT

TECHNOLOGY BEHIND  
ENTERPRISE RESOURCE  
PLANNING

SECURE & GROW YOUR NICHE IN  
THE MARKETPLACE WITH ERP

The letters "ERP" are rendered in a large, bold, blue, sans-serif font, centered on the right side of the page. The background behind the text is a dark blue grid of small white plus signs.A hand is shown holding a white smartphone. The screen of the phone displays a white lightbulb icon, symbolizing an idea or technology.

# THE ULTIMATE GUIDE TO INVENTORY MANAGEMENT

Automating Inventory Processes with an ERP System

**Improving inventory management is essential to maintaining efficiency and productivity as organizational growth occurs. A lack of inventory management can wreak havoc — costing companies tens of thousands of dollars in wasted overhead, lost sales, and even reputational damage if orders aren't able to be fulfilled.**

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The solution? Automate your inventory management processes with an Enterprise Resource Planning (ERP) system.

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## Common Inventory Challenges that ERP Systems Help Solve

**According to NetSuite<sup>1</sup>, an ERP inventory management system can effectively optimize inventory levels, and ensure reconciliation between an organization's financial reports and what's actually in stock — without the need for manual intervention. Some of the most common challenges that ERP systems help solve include:**

### EXCESS INVENTORY



Too much inventory reduces liquidity and increases overhead, but forecasting too conservatively can lead to inventory shortages. An ERP system can analyze historical sales data and past seasonal trends to set realistic safety margins.

### INVENTORY SHORTAGES



Inventory shortages can be just as costly as excess inventory. If the profit margin of your product is high and your space is competitive, not having enough stock during peak selling periods can be detrimental to your bottom line. ERP systems allow for minimum inventory thresholds (par levels) to be set for each product and updated as needed. If inventory falls below set par levels, alerts can be configured to notify appropriate parties to place an order. If combined with the right software, an ERP system can even generate and send out the purchase request automatically.

## DEAD STOCK



Dead stock is on-hand stock that's expired, unused, unsold, or forgotten about. Having dead stock is particularly harmful because it wastes money on two separate fronts; the original cost-of-goods sold can't be recovered, and warehousing (storage) costs increase each day the product sits. An ERP system keeps track of all data on when products are purchased or manufactured, when they expire, and when they become unprofitable.

## INVENTORY TURNOVER



Manually calculating your inventory is time consuming, and there's plenty of room for human error. Automating this process makes sure your business can stay operational in between ordering.

## How ERP Systems Contribute to Effective Inventory Management

A recent **Forbes Insight Report<sup>2</sup>** on the future of supply chain management states that **50% of (survey) respondents say advancements in technologies are exerting a strong impact on their company's logistics, supply chain and transportation operations. ERP systems like NetSuite and Microsoft Dynamics 365 save time and money by optimizing and automating inventory management processes like ABC inventory analyses and cycle count programs.**

## CYCLE COUNT PROGRAMS



A cycle count program organizes inventory management efforts by creating schedules to check in on specific products regular intervals. A count cycle enables organizations to systematically reconcile small portions of inventory on a daily basis, instead of trying to count all stock at once. A count cycle program in conjunction with an ABC inventory analysis can help to prioritize which groups of inventory require the most attention.

## ABC INVENTORY ANALYSES



Following ABC inventory analysis procedures involve sorting inventory into three distinct buckets:

**HIGH-VALUE PRODUCTS WITH A LOW SALES FREQUENCY** *Products that require the most attention because their impact on revenue is significant.*

**MODERATE-VALUE PRODUCTS WITH A MODERATE SALES FREQUENCY** *Products that require an average amount of attention because their impact on revenue is moderate, and the turnover rate of the products is faster than high-value products.*

**LOW-VALUE PRODUCTS WITH A HIGH SALES FREQUENCY** *Products that require the least amount of monitoring because their financial impact is low, and the stock is being turned over quite frequently. ERP platforms make it easy to develop an integrated inventory management system that combines Cycle Count Programs and ABC Analyses to ensure that the products with the biggest impact on revenue are inventoried most often.*

## THE TECHNOLOGY BEHIND ENTERPRISE RESOURCE PLANNING

**When working in disparate systems, keeping track of critical information is difficult, and important decisions are often made based on unreliable information. Having a unified and automated ERP platform enables accurate forecasting and budgeting, while helping to manage seasonality, demand, lead time, overhead and total cost.**



## THE IMPORTANCE OF A SINGLE REPOSITORY



Aside from being able to handle the coordination and execution of complex processes, ERP technology houses all company-wide information surrounding inventory management in a single repository — collecting data from multiple channels and acting as the single source of truth. This allows for the automation of inventory processes, and automation enables organizations to do powerful stuff. Investing in an ERP system helps businesses:

- **Access** real-time data for actionable decision making.
- **Analyze** sales patterns and market trends to accurately forecast.
- **Track** both electronic and physical data points.
- **Reduce** manual intervention and human error.
- **Ensure** greater controls over security and governance.
- **Prepare** the business for the unexpected.

With an automated and efficient ERP inventory management system in place, organizations have a better chance for long-term profitability and survival.



## SECURE AND GROW YOUR NICHE IN THE MARKETPLACE WITH ERP

With just over half<sup>3</sup> of surveyed logistics, supply chain and transportation executives fearing their competitors are already moving significantly faster amid industry disruptions, the time to consider migrating to an ERP platform like NetSuite or Microsoft Dynamics is now. Withum's ERP implementation services offer more than just a systems migration and include:

- A current state analysis and the development of a future-state roadmap.
- Consulting on modern-day inventory management best practices.
- Seamless ERP integration without interruptions to day to day business.
- Customization services to ensure that unique business needs are met.
- A successful user adoption and training experience for end users.

<sup>1</sup>NetSuite <sup>2</sup>Forbes Insight Report <sup>3</sup>Forbes Insight Report

If you're interested to see how an ERP system can benefit your organization, contact our ERP consultants online.

ENSURE YOUR ERP IMPLEMENTATION IS ON-TIME, ON-BUDGET AND LIVES UP TO FUTURE-STATE EXPECTATIONS BY PARTNERING WITH AN ERP CONSULTING SERVICES PROVIDER.



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