

# Inventory Management

## Preventing Dead Stock

2009 Data Services  
Training Conference  
Denver, Colorado

# M-27.20 Inventory Management

## MENU-27.20

00:48:51 24 Apr 2009

1. Daily Tasks
2. Weekly Tasks
3. Monthly Tasks
4. Quarterly Tasks
5. Semi-annual Tasks
6. Annual Tasks

# On Our Tour Today

- Keys to Inventory Management
  - Review of m-27.20
  - Online Documentation
- Preventing Dead Stock
  - Reports
  - Processes

# Key Notes-

Cheat Sheets Included in your book—where does the new menu option point?  
Is it an existing menu or EOD report?

## DAILY TASKS

-----

1. Inventory Problems
2. Negative On Hand
3. Flag Exceptional Sales
4. Products on Backorder
5. Lost Sales
6. ROP/EOQ Calc & Impact Report
7. Clear & Calc Entire Forecast
8. Purchase Order Entry & Edit

## KEYS TO INVENTORY MANAGEMENT: NEW MENU 27.20

I

### Daily Task Menu m-27.20.1

1. Inventory Problems---m-6.21 and EOD 01-151
2. Negative On Hand---m-9.20.3 and EOD 01-135
3. Flag Exceptional Sales---m-27.1.20 and EOD 01-139
4. Products on Backorder---m-27.3a and EOD 01-195
5. Lost Sales---m-27.7 and EOD 01-121
8. Purchase Order Entry & Edit---m-7.1

# First Stop—World Wide Web

Take a walk on the RIGHT side:

The image shows a terminal window with a dark blue background and yellow text. At the top, it displays the time '17:04:35', the date '16 Apr 2009', and the user '77 CAROL CAROL'. Below this, there are two columns of tasks. The left column is titled 'DAILY TASKS' and lists 15 items. The right column is titled 'ON-LINE DOCUMENTATION' and lists 15 items. A yellow callout box with a rounded rectangle highlights the right column, and two yellow arrows point from the first and fourth items of the left column to the first and fourth items of the right column. The text 'MHH' is centered in the right column.

DAILY TASKS	ON-LINE DOCUMENTATION
1. Inventory Problems	31. MHH
2. Negative On Hand	32.
3. Flag Exceptional Sales	33.
4. Products on Backorder	34.
5. Lost Sales	35.
6. ROP/EOQ Calc & Impact Report	36.
7. Clear & Calc Entire Forecast	37.
8. Purchase Order Entry & Edit	38.
9. Forecast Totals by Vendor	39.
10. Maintain Forecast	40.
11. Convert Forecast to Purchase Order	41.
12. Fax/Email PO thru Linux Server	42.
13. Overdue Purchase Order Report	43.
14. PO 855 Acknowledgement Rpt	44.
15. Purchase Order Fax Log Report	45.

Daily Task #4

**EOD Report 01-195 Products on Backorder to Customer**

The purpose of this report is to verify that customer backorders are fulfilled and expedited. This report is often used by Salespeople and Purchasing Agents to keep track of what is being ordered to 1) Verify that the order has been submitted and 2) To catch any issues with complete orders that are not being submitted.

- If incoming PO due date meets the customer need then no action is needed.
- If incoming PO due date DOES NOT meet the customer need then source the product or expedite with vendor.
- Also, check Sales History in Menu 12.3.2.3 for the warehouse and determine if ROP should be set or adjusted.

```

20:55:44 11 Aug 2008 PRODUCTS ON BACKORDER TO CUSTOMERS C3# 01
VENDOR EXT.FROD. NO. PRCD.NAME..... OH VEND CJS IN BACKORD GRD.DAT. EXT.CUST. CUSTOMER NAME.....
HAND GRD ORD PICK
553 12X25XLD P112 12X25X1 DISP.FILTE 10 2 10 2 06/11/08 209256 Southern Mechanical,
***
A356 G22 C79 40 411 7ROP/METH DETEC 0 0 4 0 4 08/08/08 14115 CERTIFIED TECH STORE
***
A190 B12-C15 TT-24 3PK TATTLETALE 1 0 1 1 1 08/11/08 207861 Total Comfort Servc
***
    
```

**Menu 27.3A Items Sold Today and B/O Below ROP**

This report lists all items sold today that have an on-hand quantity that is less than the re-order point for the product. It also selects all products that have an open customer backorder. Use this report to 1) generate a Purchase Order add-on list of items missed during the main forecasting, 2) forecast the daily "emergency" orders that may be needed before the regular weekly Corporate order is sent and 3) To view a report of A/B items below ROP amount. Ideally, by running this report, you capture all items that still need reordering after the initial forecast runs.

```

09:12:02 09 Oct 2008 LIST OF ITEMS SOLD TODAY AND B/O BELOW ROP PAGE 1
WHSE PRODUCT#.... avail... avail.dc ROP.... PACK. BRANCH COST BACKORD VOQ... DUE.DT PO.VEND ON .. IN.PICK VEND.NO. PM.VEND
HAND
001 B92-113 -1 2 00 1 302.890 1 0 0 0 001 A467
001 B92-791 -6 12 00 1 820.540 14 8 10/02/08 489 0 0 489 A489
001 B92-793 -1 0 1 1 1,116.560 2 1 10/02/08 489 0 0 489 A489
001 B95-671 0 67 01 1 525.610 1 1 10/11/08 001 1 1 001 A667
001 CAUF363606 0 1 1 193.264 1 1 10/20/08 544 1 1 544 A544
001 FKR -5 0 0 12,300 2 0 -2 1 3 3
001 C80-559 -3 100 00 12P 5.600 3 0 0 0 001 A211
001 C84-883 -1 204 00 6P 0.790 1 0 0 0 001 A388
    
```

Prompts to update forecast--this is real time. If someone ordered it 5 minutes ago, you can run this, add it to your forecast and get that added to your purchaseorder.

Notes:

- If incoming PO due date meets needs – do nothing
- If incoming PO due date Does Not meet needs, source the product or expedite with vendor
- Check sales history for the warehouse order is for selling store and determine if ROP should be set or adjusted

Menu 27.3A – Option #3 Report of A/B items below ROP Amount

- FTP report and sort by due date to prioritize
- If incoming PO due date meets customer needs
- If incoming PO due date Does Not meet customer needs, source the product
- Check sales history for the warehouse order is for and determine if ROP should be set or adjusted
- Make sure store is not unnecessarily out of stock on important items

Has EOD.XREF 01-195 been added to upgrade ?--sti

M-27.20.1.34

# Process Recommendations

- Some of the Tasks are not directed to Menu Paths at all, but serve as mental joggers
  - For example: Monthly Task M-27.20.3.5 New Product Trial Tracking does not point to menu, but 27.20.3.35 offers suggestions and recommendations

## Monthly Task #5

This is a store process task.

Follow-up on new products with expiring guaranteed sales. This is best tracked on an Excel spreadsheet.

### New products tracking and ROP's

Some recommend setting new products to automatically set the ROP to 00 until you make the determination that you will actually stock this product.

m-27.1.21 you can set field 14. Auto set ROP to 00 on New Items to Y

If you leave blank or set to N the ROP will calculate automatically and show up for ordering, possibly before you have decided to actually stock this product

Once you make the decision to stock this product, you have a new option to set a MIN ROP for a set number of months. Set these options in product detail m- 12.3.2.3.

Change field 3 from 00 to what you want to set as your MIN ROP.

Add your new MIN ROP to field 6

You will be prompted for # of Months to apply this MIN ROP

At the end of this period, the normal ROP will begin to calculate

# Fly By Tour of M-27.20





# Tasks—Daily Review M-27.20.I

## DAILY TASKS

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1. Inventory Problems
2. Negative On Hand
3. Flag Exceptional Sales
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6. ROP/EOQ Calc & Impact Report
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14. PO 855 Acknowledgement Rpt
15. Purchase Order Fax Log Report

- ▣ EOD available?
  - ▣ See Keys
    - ▣ M-16.6 for list
    - ▣ M-16.5 to maintain
- ▣ Additional Periodic Tasks?
  - ▣ This is YOUR system

# Daily Tasks—Popular Reminders

## Preseason Reminder

- FAQ QUIZ—
  - Why are my items on a preseason PO with future order date not showing on my current forecast even though I have zero on hand or am below my ROP?
  - PO not flagged as Preseason!
    - M-7.1 Total Screen, select option “P”

## Overdue PO reminder

- M-27.20.2.12--Check this one for special order items that don't have a customer order tied to them. Did the order get cancelled and they forgot to cancel the PO?
- Quick call to vendor can help eliminate possible potential dead stock.

# Weekly Menu

## WEEKLY TASKS

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1. Create Warehouse Transfers
2. Hangout Report - by Operator
3. Combine Product Sales
4. Merge products together
5. Take products off Merge

# Tasks—Weekly Review M-27.20.2

## Can you Transfer Dead or Dying Stock by Creating Warehouse Transfers?

- Review M-27.20.2.1
  - Searches the online web inventory so you can quickly move your slow movers
  - D/E items that are A/B in other stores
  - Can select E items only
  - Can add C items to D/E

## Merge Products

### M-27.20.2.4

- Moves sales history from one product to another
  - Similar to m-11.4.21
  - M-27.20.2.4—The product merge and update will take place on the weekend not on the fly
  - M-27.20.2.5—'Take Products Off Merge' must be done BEFORE the weekend merge

# Monthly Menu

## MONTHLY TASKS

-----

1. Dead Inventory (E-items)
2. Minimum & Frozen ROPs - Days Supply
3. Possible Vendor Returns
4. Purchase change from Direct to DC
5. New Product Trial tracking
6. Review Buy Strategy for Future
7. Stock-out Report
8. Discontinued Items

# Tasks—Monthly Review M-27.20.3

## Minimum and Frozen ROPs

- M-27.20.3.2 to review your frozen or minimums.
- When setting Min ROP, will be prompted for # of months
  - Remaining number of months will be displayed on report
  - Can select Y\*\*\* to clear frozen

## Discontinued Items

- M-27.20.3.8 to review products with discontinued flag AND quantity on hand
- Set up JEN alert for General Information Bulletins 'discontinued'
  - Review for cancelled backorders on POs

# Quarterly Menu

## QUARTERLY TASKS

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1. ROP/EOQ Parameters
2. Review inventory turns
3. Dead Stock Prevention quiz
4. Review Seasonal overstock inventory
5. Review current order cycles
6. Product ABC Report (review C & D)
7. ABC Ranking Report

# Tasks—Quarterly Review M-27.20.4

## Review Inventory Turns

- M-27.20.4.2 to review turns
- This task calculates turns by taking the  $(\text{Sales Dollars} - \text{GP}\%) / \text{Average Inventory}$ . Calculation looks at last 12 months completed. The figures for this calculation are pulled from Menu 11.4.11 Company Totals Inquiry.
- Coop-wide average turns are 4.3, up from 4.1 last year
- Higher turns will ensure that excess inventory is not tying up capital that can be used more strategically. A study by Texas A&M estimates 35-40% of a store's carrying costs are related to excess inventory.



# Semi-Annual Menu

## SEMI-ANNUAL TASKS

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1. Review/Prevention of over-ordering
2. Corp Rotational Buyback
3. Analyze special order opportunities
4. ROP Override Parameters
5. ABC Ranking Maintenance
6. Vendor Days Supply

# Tasks—Semi-Annual Review M-27.20.5

## Vendor Days Supply

- M-27.20.5.6 to review vendors that are set to have more than a 30 day supply.
- Menu 12.4.1.3, Field 5 is where the days supply for a vendor can be changed
- If the days supply is changed it will only apply to new records. The system does not go back and change old records.
- New development—Will add lead time column. Will include lead times as shown in 12.4.1.3 (vendor detail)

# Annual Menu

## ANNUAL TASKS

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1. Consolidate redundant product lines
2. E-Item Parameters

# Tasks—Annual Review M-27.20.6

## Review E Items Parameters

- M-27.20.6.2 to review Inventory Parameters
  - Field 7: E-Items Calc - Days since last activity
    - Recommended days between 200 and 360
  - Field 8: Include Products with 00 ROP in E-Items Calc
    - Recommended “Y”

# TOO MUCH OF A GOOD THING DEAD STOCK

\$1 of every \$5 is Dead Stock



# PREVENTING DEAD STOCK (PDS)

- Review Dead Stock Prevention Quiz
- EEK! Plug into Dead Stock Impact Calculator--sample calc:

Dead Inventory Equivalent Sales Calculator	
6.00%	Enter Your Current Profit %
\$60,000	Enter Your Current Dead Inventory \$
\$6,000,000	Enter Your Current Annual Sales \$
<b>To generate the same amount of profit through increased sales, you would need to grow sales by:</b>	<b>\$1,000,000</b>
Each dollar of inventory written off is equal to a dollar of net profit before tax.	
What amount of effort is your company willing to put into growing sales by this amount?	
What are you willing to do to clean up dead inventory and PREVENT it from accumulating?	

See Monthly Task #1 M-27.20.3.31 for link to Dead Stock Impact Calculator!

# What can I do now??

- ▣ Thanks for asking.
  - ▣ Work your new menu 27.20
  - ▣ Focus on my favorite PDS tools:
    - ▣ Review and act on Inventory Problems
    - ▣ Identify your Exceptional Sales
    - ▣ Review and act on your Hangouts
    - ▣ Review and dispose of E Items

# PDS—Review Inventory Problems

- M-27.20.1.1 (or EOD report 01-151) identifies recent inventory issues that could lead to dead inventory
- Daily review will allow you to make quick decisions –PDS PDQ

## TRANSACTION CODES

- C/M - Credit Memos (returns to stock)
- CAN – Cancelled in Order Entry
- ADJ or P/I – Inventory Adjustment from menu-8.4 or menu-9
- POR – PO Receiving (when received more than ordered)



# PDS—Identify Exceptional Sales

- M-27.1.20 (or EOD 01-139) to review products that were invoiced with a quantity greater than twice the product's ROP
- Flag your exceptional sales in M-27.20.1.3
- Additional ways to flag exceptional sales on the fly:
  - Menu 19.6 Stock Status, enter the product number and then enter 'e'.
  - Exceptional sales can also be flagged while maintaining your forecast in accessed in Menu 27.5 by typing in 'SE'
  - During Order Entry, enter {qty}E to mark exceptional sales real-time. For example 15E.

# PDS—Review Hangout Report

- M-27.20.2.2 (or EOD 01-124) Identifies open in-pick orders and backorders that may require additional expediting.
- On-demand sort option to print by operator. Distribute weekly. Feet to fire.
- Use new on-demand report instead of M-2.6, which does not include customer backorders
- Check out the column “00” in the first position. If there is a Y in the column the order contains an item that has a 00 ROP.

# PDS—Review E Items

- M-27.20.3.1 to identify items with no recent activity
- M-27.20.6.2 to change “days without activity” parameter
  - Recommended between 200-360
- Can recalculate on the fly!
- Review 9 Lives of Dead Inventory for suggested disposition process