10 Reasons why accurate inventory is important.

A free whitepaper from Brightpearl to help you to get the most out of your inventory.

www.brightpearl.com/ca101
Introduction

If you’re a small business selling inventory then you are sure to have come across some of the pitfalls it entails, but getting it right could be more important than you think. Accurate inventory underpins the rest of your business from making sure you can come through on promises to your customers, to getting your accounting right for those all-important audits, whilst inaccurate inventory causes inefficiency across your business. So take a look at our ten top tips for getting it right.

Remember, you’re not alone... Brightpearl’s business management software, has a team of experts on hand to help you sell more and sell better. Contact us, visit our support portal, or watch our YouTube channel to learn more.

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1. Don’t miss sales due to out-of-stock items

If you know what’s in stock, you’ll also know what’s not in stock. If you’re relying on a walk around the warehouse or shop to make your Purchase Orders, then you’re relying on your memory to flag up items that you’ve run out of. Using an accurate stock report you can quickly see what’s low, compare it with what’s been selling well and get those re-orders placed in time so that you don’t run out. If you’re interested in exactly how much to buy each time, then do some background reading into the principle of Economic Order Quantity, EOQ.

Brightpearl lets you set “minimum stock levels” for each item, and display all items that are currently below that level. With just a couple of clicks you can place and send a Purchase Order for more.

2. Don’t waste cash in overstocked inventory

Running a successful retail or wholesale business is all about spending your cash wisely. You need to buy only what you need of any one item in order to keep sales going, and prevent stock-outs. The rest of your cash can be used to increase your product range, do more marketing and so on. Items that sit on the shelf gathering dust for months are no use to anyone - an accurately kept inventory system will let you quickly identify slow moving products, put them on special offer and release the cash for higher turnover goods.

3. Improve the accuracy of your accounting and profit reporting

Since everything you buy has an asset value, it will appear on your Balance Sheet, and also directly affects the Cost of Sales and Profit and Loss reports - essential management tools that you should be checking every month. If you maintain accurate inventory, your accounting will also be up to date.

If you use Cost of Sale accounting, where each sale has a cost associated directly with it, then the cost comes directly from the asset value of that particular item, usually in a First-In-First-Out method. If you’re not running accurate stock processes, then your stock cost values will be wrong, and you’ll get inaccurate profit reporting. Not ideal.
4. Identify issues before they get out of control

If you’re keeping an eagle eye on your inventory levels, then you’ll spot issues as soon as they appear rather than six months later during an annual stock take, at which point you may well have lost a lot of money. Perhaps a step in your warehouse process is being missed, or one of your salespeople is making mistakes on sales orders. You need to know NOW! A tightly maintained inventory system is the best place to do the checks and balances to reconcile Sales and Purchases.

5. Customer service

Under- or over-shipments happen, that’s life. When customers call to tell you that they have not received 1 of the 4 items they ordered, you need to be able to check your data and confirm that you do indeed still have one extra unit in the warehouse. Likewise, if you’re keeping on top of inventory levels on a regular basis, you’ll be able to identify incorrect shipments much sooner. If you can communicate accurately and quickly with your customers, they will have trust in your ability as a merchant, which in these times of high competition, is a very valuable asset. If your stock system is up to date with Purchase Order information, you can inform customers when inventory is just about to arrive, and get extra sales you’d otherwise be hesitant to fulfil.
6. Efficient re-ordering

Your re-ordering process will be fast and reliable if you know what’s in stock using your software system. You don’t have to go into the warehouse or wander around your shop to build a Purchase Order. You can work methodically through your product set, making informed business decisions as to what to buy. A decent inventory management system will let you know if you already have goods on order with a supplier, and if your suppliers have long lead times and irregular deliveries, this is a must in order to prevent your re-ordering running out of control.

7. Minimise theft and losses

Nobody likes to think that their staff are stealing from their stock, but it pays to be vigilant. If your staff know that you manage an accurate inventory system, then theft will be massively discouraged. If you manage accurate stock levels, then you can identify theft quickly. It’s not just theft of course – you may discover that you’re losing stock to damage, loss or some other cause that you’d not be aware of.
8. Trust in your information systems

Running an efficient and profitable business is all about sharing and using accurate information, usually through an integrated software system. If your staff know that the stock levels in your system are always up to date and accurate, they will place their trust in the software and will use it more at all levels. You’ll end up with better data for better reporting, better collaboration and better efficiency across the team.

9. Minimise warehouse costs

If you know where things are in your warehouse, and indeed whether you have any at all, then pick/pack/ship processes are significantly more efficient. Your warehouse staff don’t need to be running around hunting for the last unit since you know that it sold yesterday and was shipped at 6pm via UPC, for example. This means that you can process more orders in the same amount of time with the same staff, or else balance your resources differently. Accurate stock levels can keep you lean!

10. Efficient stock take and end-of-year process

If all your inventory levels are up to date all the time, then a periodic stock take will be faster and more efficient since it will just be a confirmation of data rather than a time consuming data entry task. If you need to change lots of information in your software after a physical stock count, then you need to ask yourself why and how it’s gone wrong. Since your inventory is quite likely your biggest asset, there will be subsequent issues with accounting corrections too.
About Brightpearl

Brightpearl is a web-based business management system for growing online retailers comprising powerful order processing, inventory management, CRM, multichannel ecommerce software and accounting built in. Everything runs off the same system, which means that you spend less time on admin and more time on growing your business.

Visit Brightpearl today for a 30 day FREE Trial: www.brightpearl.com

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