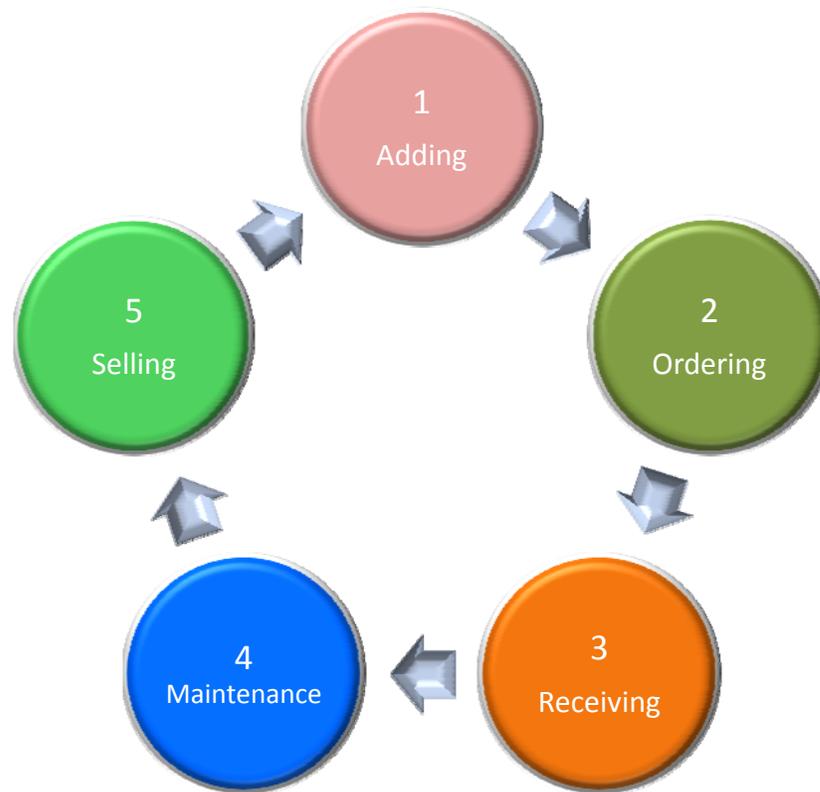

TransAct POS

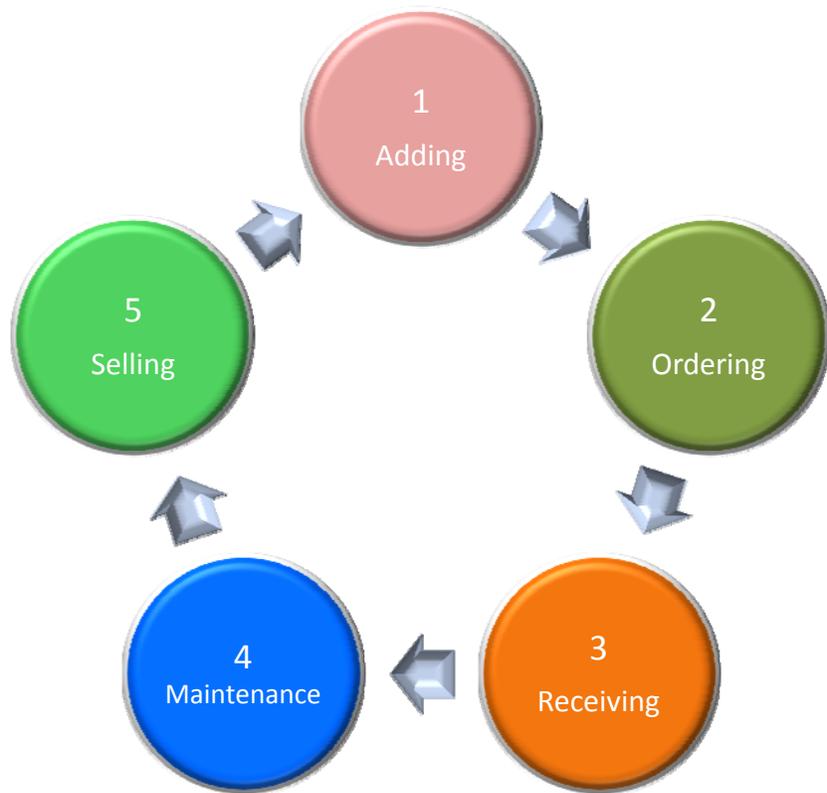
The Inventory Cycle

An outline to success



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Overview of the Inventory Cycle

This document reviews the basic elements of managing inventory in a process call the ***Inventory Cycle***. The intent is to fully describe the proper procedure for maintaining an accurate inventory within your operation. The following goals can be achieved when maintaining an accurate inventory when following the inventory cycle's basic procedures.

- Accurate ordering of required inventory for your store based upon minimums – order points – established for each product
- Reduced time to reorder products on a periodic basis
- Accurate history of individual product sales and departmental sales
- More efficient process seen at the point of sale station resulting in increased customer satisfaction

Note: The principals of the Inventory Cycle can be applied to any inventory system, manual or computerized.

References found within documentation:

IOR Vendors: Do it Best, True Value and Orgill

Electronic Catalog Vendors: Above IOR Vendors, All Sports, Animal Supply Company, Bass Pro, Benjamin Moor Paint, Brigg & Straton, Carhartt, Do it Best, Five Star Distributor, Forney, Gates Belts & Hoses, Hamilton, Henry's Sport Supply, Hillman, Hillman Signs, Kyocera, LD Carison Company, Mid West Fastner, MPLS, National Mfg Company (Stanley), Northern Lights, Orgill, PartSmart, Pittsburgh Paint, Porter Paint, Serv-A-Lite, Snapper, Sportman's Supply, S.P. Richards, Stihl (Byrant Equipment & Mid-Atlantic), United Stationers & Wester Berke.

Vendor's catalogs not listed may be imported utilizing a generic spreadsheet described within the TransActPOS On-Line Manual and the On-Line Video Tutorials.

1 Adding

When you add inventory to your system, a number of basic pieces of information are required. At a minimum the following elements are required:

- **Item number** – the number referred to from the store’s perspective
- **Description** – description of the item
- **Retail Price** – the price the customer will pay for your product
- **Cost** – the cost of the product purchased from your vendor or supplier
- **Inventory type** – stock, non-stock, rental, kits, comment and coupons. Additional stock type includes, serialized, cut pieces, board foot, linear foot and tare weight,
- **Tax type** – as defined within your store’s location
- **Class or Department** which may be similar to your primary vendor’s structure

A number of features within TransActPOS can streamline the process of adding items to the inventory.

- The **Add Wizard** allows the user to answer a series of questions regarding the nature of the item being added to the inventory.
- **Auto Add** is a feature which when invoked will automatically add inventory at the POS> Ring Sale screen based upon the scanned UPC barcode. This feature is based upon the existence the vendor’s data being present within the TransActPOS Electronic Catalog described below.
- **Auto Add** is also available within the Purchase Order > Detail Screen when adding items to a vendor’s purchase order. This feature is based upon the existence the vendor’s data being present within the TransActPOS electronic Catalog described below.
- **Auto Add** is one of the key features available within the TransActPOS Wireless application along with physical inventory and reorder capabilities.
- **Add Item** from within the **Electronic Catalog** or **eCatalog** allows the user to access vast amounts of data from multiple vendors. Updating of the electronic catalog information may be done by a manual process via spreadsheets, text files or databases. Utilities within TransActPOS allow for the comparison and update of your currently published retail price to that of the vendor. A listing of the *Electronic Catalog Vendors*.
- The **Inventory Order and Receipt (IOR)** module provides scheduled electronic updates with select *IOR Vendors*. The store’s staff can access utilities which update your inventory on controlled basis – i.e. you control when your retail prices are updated.

Several utilities are available which allow the store to quickly and accurately add inventory.

THE BOTTOM LINE IS THIS: WITHOUT THE ACCURATE ADDITION OF PURCHASED INVENTORY INFORMATION INTO YOUR SYSTEM, MANAGEMENT OF YOUR ASSETS WILL BE VERY DIFFICULT.

These utilities are some of the essential tools in helping you build an accurate and dependable inventory.

2 Ordering

The process and theory of ordering products can vary greatly between stores. Here are some:

- **Walk the Isle** and build a manual order
- **Order Based on Sales** or order what was sold last week
- **Reorder based on inventory minimums established by the user** - this is referred to as a “manual minimum”. When the on-hand quantity of the item falls *below* the indicated minimum, the reorder report will include this item on the report for review.
- **Reorder based on inventory minimums calculated by the TransActPOS application** - this is referred to as a “calculated minimum”. When the on-hand quantity of the item falls *below* the indicated minimum, the reorder report will include this item on the report for review.

The end result of any order method should be a purchase order for each of the indicated vendors. Creating a purchase order provides a controlled environment for monitoring the status of all your outstanding purchases:

- Implementing purchase orders within the store environment is the efficient method of ordering products from vendors. The net effect of creating and submitting purchase orders is faster and more controlled than a pen and paper method.
- The value of your current outstanding purchases – the open purchase order listing report lists in summary or detail the current status of the store’s purchase orders.
- Access to information on an individual item basis so that the entire staff may provide more accurate information to customers during inquiries.

3 Receiving

Receiving inventory is the third step and typically the most often overlooked process within the inventory cycle. If the inventory system is not updated as to the recently received goods, the accuracy of the on-hand levels will not be correct.

The following methods update your system on-hand levels:

Item Level Receipt of Inventory – this is probably the most inefficient method but the system does record the receipt of good and updates the item’s on-hand inventory correctly. This option is located within IC > Item File > Adjust Quantity.

Batch Based Receipt of Inventory – is the most common method of receiving inventory if the received order was not originally based upon a purchase order from the store. This option is located within IC > Receive Inventory. This option provides a streamlined entry screen allowing the user to quickly enter the item numbers of the received goods, the quantity purchased and the cost of the goods.

Purchase Order Receipt – is the streamlined process of receiving item which have been placed on a purchase order. The user has the option of receiving the order “**In Full**” or by “**Selected Item**”.

- If the user receives the purchase order “In Full”, they are indicating that all items ordered have been received at the store and that the indicated purchase cost of the item is correct. Typically, the user has reviewed the packing slip and confirms the received quantity and cost to the ordered quantity and cost show on the printed purchase order before processing the receipt.
- An alternative method, Selected Item, allows the user to select which items to receive since the order is not complete. A find option is available which allows the user to quickly locate the item within the purchase order and indicate the appropriate quantity and cost of the item received.

IOR Receipt – an additional option of receiving is integrated into the TransActPOS IOR – the communications module for specific vendors. The IOR module will receive the electronic invoice directly from the vendor during a communications process. The received invoice can then be processed in similar fashion as indicated within the Purchase Order receipt note above.

Special Note about Units of Measure:

Each item contains both a Stock Unit of Measure and a Purchase Unit of Measure. If both of these units of measure are the same, the on-hand quantity will always be increased by the purchase unit quantity.

Example #1:

Both the “Stocking Unit” and “Purchase Unit” is set to Each (Factor = 1) for a product. An order for 12 is placed with the vendor and 12 units are received at the store. Independent upon which

of the methods of receiving used above, the on-hand quantity will be increased by 12 because the purchase unit of measure factor equals the stocking unit of measure.

Example #2:

If “Stocking Unit” is Each (Factor = 1) and “Purchase Unit” is set to DZ (Factor = 12) for a product. An order for 12 is placed with the vendor and 12 units are received at the store. Independent upon which of the methods of receiving used above, the on-hand quantity will be increased by 144 because each unit purchased is equal to 12 stocking units.

4 Maintenance

The maintenance portion of the inventory cycle allows the user to update a variety of fields or elements. Listed below are frequently updated elements of an item. Additional fields may be updated but are beyond the scope of this write-up. Review the TransActPOS On-Line Help system for further information.

Updating the **Retail Price** – The established price of the inventory item is the price charged to the customer at time of sale at the point of sale. The MSRP – Manufacture’s Suggested Selling Price – is the price published by the manufacture. You decide what your retail or selling price will be. At times vendors will publish a revised MSRP which may invoke a retail price change at your store.

A **Manual Price** change is at times the quickest method for changing a single item’s price. Within IC > File Maintenance, find the item, select edit and then change the Retail Price of the item. Select Save to complete this task. The next sale will have the item price changed to the new price.

Mass Price adjustments are typically reserved for updating all items from a specified manufacture by a stated amount – percentage or dollar value.

Ecatalog Price Control is a comprehensive management tool which integrates into the Electronic Catalog system within TransActPOS. What does this mean? When the vendor publishes a new retail price and/or replacement cost, this tool will help you quickly update your inventory’s information based upon your choosing. At the end of this process, you have reviewed specific departments in detail, updated your inventory’s prices as you determine and printed new labels reflecting the new retail price.

Promotion Sales allows stores to preload sale pricing for multiple sales and manage when the prices go into effect. Located within POS > File Maintenance > Promotions, this powerful utility allows you to implement promotions sales which original from your primary vendor and/or create your own sale. Tracking of the cost of advertising, merchandise purchased in preparation and the sale’s profitability are available within the Details tab.

Other area maintenance may include the following:

Picture Grids – Many stores add a picture grid to their system to provide a quick method of locating items. The picture grid is build by the store’s management to meet their specific inventory needs. For instance a hardware store may build a grid for outdoor items which cannot be carried into the store

UPC or Item Lookups – Many inventory items may have additional UPCs and lookup number associated to them. This information can be maintained in the IC > Item File > Lookup By screen. If your store utilizes an IOR vendor, additional UPC information is automatically updated when published by the vendor.

Class - The class or department assigned to an item is of particular importance when reviewing their summarized profitability. If an item has been assigned to an incorrect department, simply modify the class of the item (IC > File Maintenance > General tab) and then rerun the Class Sales report.

5 Selling

The previous steps within the inventory cycle have been done to prepare for the eventual sell of the purchased item. If the product information is accurate - price, cost, UPC, item, class, etc. - the resulting sales history, on-hand levels, customer purchases and other reports will be accurate.

It is imperative that all sales clerks be aware of their direct impact as to the accuracy of the systems inventory. They do have the most important position in the store. Without their willingness to accurately process the sales transaction, accurate sales information will not be possible.

When a sales clerk discovers a problem inventory item, they should make note of the issue and address this information to management. For instance, if an item does not scan properly, they should sell the item within the appropriate departmental sales category to simply complete the sale and then ask to have the item corrected.

When things go wrong!

If you discover a problem with an item, the most important next step is to determine the nature of the problem and why it occurred. Once the origins of the problem are discovered, then a plan can be put together to solve the problem and help prevent the problem from occurring again.

How do I fix it?

Bill Hogan's book *How Do You Eat an Elephant? One Bite at a Time* reviews how management should deal with problems and how to solve these problems. In the case of an inventory which is incorrect, much the same statement can be made as the title of the book explains.

How do you fix a store's inventory problem? One item at a time...

The first step to solving a problem inventory is to determine why the inventory is in the current shape. Some investigation will be needed to find the answer. Typically, many of the reasons stem from not following the basic principles as described within the 5 steps of the *Inventory Cycle*.

Discover why the on-hand inventory is incorrect

- The on-hand inventory in TransActPOS is **higher** than what is on the shelf

If the on-hand inventory in TransActPOS is higher than the actual on-hand on the shelf, typically this is due to boot selecting the correct inventory item when selling the inventory. For instance, if an item cannot be located at within the system and a departmental item is used to complete the sale, the true item's on-hand will not be reduced correctly.

An additional variable regarding the incorrect on-hand inventory can be *shrinkage*.

- The on-hand inventory in TransActPOS is **lower** or negative than what is on the shelf

If the on-hand inventory is lower than what is on the shelf, typically this is due to not receiving the purchased inventory into the system.

Steps to Solving the Inventory Problem

1. Adopt the Inventory Cycle process today!
2. Begin a Physical Inventory – outlined below
3. Monitor your stores physical inventory with cycle counting

Different methods of performing a Physical Inventory

Paper Based

In a nutshell, this is the procedure: print a physical worksheet, write down the current on-hand quantity for the item and update the items physical count

Pros:

- Simple to do
- No additional expense
- Low tech

Cons:

- Time consuming
- Highly inaccurate due to the timeliness of on-hand count and posting to system

Computer Based

The computer based update of the on-hand inventory utilizes a “computer on wheels” to speed up the process of updating the system. Many stores choose to mobilize a laptop computer by placing it on a cart which can be wheeled around the store. An extension cord to the cart provides long term power to the unit and a network cable allows the user to access the network at normal network speed.

Pros:

- Relatively low cost
- Much faster speed than the paper based option
- Access to the all inventory information in real-time

Cons: additional cables on the floor (liability)

- Mobilizing a workstation – cost of a wheeled table, battery backup, etc...
- Possibly the expense of a laptop or desktop computer
- Possibly the expense of an additional barcode scanner

Wireless Based

The wireless based physical inventory process not only utilizes a wireless hand held device but also utilizes software specifically designed for the task.

Pros:

- Reduced liability – no cables
- Reduced time to process a physical inventory
- Utilization of utilities specifically developed to process a physical inventory
- Perform multiple tasks within a single barcode scan
 - Update on-hand quantity
 - Adopt the item's location code
 - Prompt for current retail price
 - Modify the order point of the item
- Access to cycle count processes

Cons:

- Increased cost
- Increased use of technology
- Increased need for additional security regarding general access to the network
- Requirement to meet PCI credit card security compliance – reference to articles regarding PCI compliance at www.transactpos.com and other credit card industry resources.

Summary

The success of any system is dependent on our willingness to process information within a specific set of guidelines. Much like out checkbooks, an inventory system must have an accurate record of all the deposits and withdrawals to calculate the correct balance of your inventory.

The *Inventory Cycle* is a proven method of accurately tracking the on-hand inventory levels within TransActPOS and other systems. Adopting these steps within your organization, performing a physical inventory and then monitoring inventory counts with cycle counts will help provide a highly accurate inventory system.