



*Inventory — Count  
Less, Sell More*

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## Introduction

Inventory control is having the product the customer wants when the customer wants to buy it. Another way of stating this may be “stock what you sell and sell what you stock”.

Research shows that approximately 80% of all sales come from 20% of available inventory. By implementing inventory control practices and procedures, a dealer can systematically and continually analyze their inventory to achieve the maximum benefit from the available investment and space.

Most dealers do not have unlimited finances or space. Therefore, the primary business goal is to attain the fastest and most profitable return from the inventory investment. Also of key importance is the ability to utilize the available shelf and showroom space to maximize the return on your inventory investment. Decisions of this nature require a complete and accurate overview of the current business position. This information must be collected, compiled, and interpreted from the many different areas of business.

Most dealers have automated the methods for compiling this information. Therefore, a system of policies and procedures must be set and in place to insure that this information is accurate, consistent, and relevant.

In today's fast paced and competitive marketplace, making thoughtful and intelligent inventory control decisions is essential for survival.

# Chapter 1: Planning Inventory Control

Sound inventory control management involves everyone who has an impact on your business: employees, dealers, managers, and consultants. Everyone must work together to combine automation, consistent policy, and sound management to produce a successful dealership. This chapter discusses the management portion of inventory control.

Inventory is one of the largest assets in your business. You can avoid problems and save money by pruning your inventory with the help of your employees and managers. Your inventory control plan should include objectives for employees, and processes for decision making and goal setting at the management level. Each of these is discussed in this section.

## Decisions Made at the Corporate Level

Your primary business goal should be to attain the fastest, most profitable return from your inventory investment.

The actions of your employees can greatly affect the condition of your inventory. Each employee should learn these four objectives to guide them in all inventory control activities.

### 1 Commitment:

Properly managing inventory control requires commitment at every level of the company — including the owner, the management, and the employees.

### 2 Responsibility:

Although maintaining inventory control requires the effort of every employee, you should decide who is responsible for your inventory. You have accounts receivable employees — do you have inventory control employees?

### 3 Planning:

Establishing inventory control requires some time and effort, but you will find that it not only reduces costs, but increases the efficiency of your operation as well. Inventory control will save your company money.

### 4 Implementation:

Maintaining inventory control is not time consuming. In fact, it is as simple as reviewing certain aspects of the system and making periodic adjustments.

## Setting Company Goals

Every dealer has a list of goals and objectives, some of which are unique to their particular situation. The following goals, however, are not only common to many dealers, but also readily achievable in most cases:

- 1 Reduce inventory investment by:
  - Reducing the total number of items stocked
  - Eliminating the excess supply of slow-moving items
  - Maintaining lower inventory levels of stock items
  - Eliminating all dead inventory.
- 2 Maintain or improve the level of service by increasing the number of times that stock items are available when the customer orders them.
  - Reduce the number of backorders, as a result of goal number 2. This in turn will reduce the cost of shipping, handling, and administrative record keeping.
  - Quickly respond to customers' questions on inventory availability.
- 3 Maintain sales analysis information so that you can better determine which items to stock and which items to buy from wholesalers.
  - Provide the purchasing department with the information it needs to properly evaluate "deals" and other vendor promotions.
- 4 Improve employee productivity by:
  - Accurate inventory levels in your system
  - Providing a machine-printed picking document that arranges ordered items that are out of stock
  - Not asking employees to look for items that are out of stock
  - Establishing set locations in the warehouse or retail store for all items, to make stocking and cycle counts easier.
- 5 Determine stock vs. non-stock:
  - Dollars to invest
  - Turns
  - Market plan (one hour delivery, for example, [getitquick.com](http://getitquick.com))
  - Gross profit per item
  - Cost to carry

- Cost to pull vs. cost to handle exceptions
- Hits
- Usage.

## **Additional Considerations**

The determination of stock versus non-stock and direct versus wholesaler purchase cannot be based only on hits. Availability, lead time, warehousing space, and other factors must be considered by each dealer.

Determining which items to stock can require very different procedures for retail and commercial operations. For example, you might use hits for retail stores, but use usage and low stock reports and a desired number of inventory turns for the warehouse. In the retail environment, an item with one hit per quarter may need to be a stock item. However, the stocking position of the same item in the warehouse may be more dependent on its desired number of turns per year and on the ability to purchase and stock on an appropriate level.

The dealer must decide how much money can be invested in inventory and what are the marketing plans. With these goals in mind, the use of a hits report and a usage report can help the dealer manage his inventory. Evaluate each item individually—its buying and selling units, its usage, and its hits. If you want six turns per year, an item must sell its purchased stock within a two-month period. With chair mats bought and sold in eases, only one in each size needs to be sold every two months to be a stock item. However, if pens are ordered direct in quantities of four gross for each style and each color, the stocking and purchasing decision must be different to meet the desired number of turns and level of investment in inventory.

The dealer must also consider the following when deciding what inventory SKUs to stock:

- Gross profit
- Costs to carry
- Cost to pull versus cost to handle exceptions.

The dealer can use the reports that show usage and activity, vendor analysis, and desired number of turns to determine which items he should stock, and whether to buy from a wholesaler or manufacturer.

## Chapter 2: Determining Benchmarks

First, evaluate your current inventory. You do this by determining your Cost of Goods sold (overall). To do this, use one of the following functions:

- (W) Screen [E] Function (by department)
- (WD) Screen or Financial Reports window (graphical)
- (R) Screen Inventory Turns Report (annual sales journal).

Cost of goods is an important number. However, a number of greater importance for inventory control is cost of goods from your stock inventory.

The following report is an example of detail from the graphical financial reports: Profit and Loss Statement.

<b>COST OF GOODS AS A PERCENTAGE OF SALES</b>				
<b>COST OF SALES</b>				
Department 1	12,618,516.40	31.0%	16,182,836.01	30.8%
Department 2	751,540.07	1.8%	751,680.41	1.4%
Department 3	14,569,505.52	35.8%	17,467,504.36	33.3%
Department 4	4,850,022.42	11.9%	7,194,721.09	13.7%
Department 5	69,874.80	0.2%	198,769.80	0.4%
Department 6	542,915.69	1.3%	1,178,873.17	2.2%
<b>TOTAL COG</b>	<b>33,402,374.90</b>	<b>82.1%</b>	<b>42,974,384.84</b>	<b>81.9%</b>

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To determine Cost of Goods sold (stock), DDMS has created a report. Use the (R) Screen Inventory Turns From Stock Report. This report lets you limit to items with flushed quantities regardless of the stock class, as shown below.

INVENTORY TURNS FROM STOCK					
DATE: 05/05/05			TIME:16:09:36		
PAGE: 1					
ITEM NUMBER	COM	C	COG	CURRENT ON HAND \$	CURRENT TURNS
=====	=====	=====	=====	=====	=====
32	MER	W	15.110	135.990	1.679
450	ESS	W	8.040	72.360	.893
TOTAL:			23.150	208.350	.572

A key piece of data required in inventory planning is stock inventory turns. Use the following formula to determine this information:

$$\text{Stock Turns} = \frac{\text{Annual Cost of Stock Goods Sold \$}}{\text{Average Inventory \$}}$$

Once again, you can use the (R) Screen Inventory Turns From Stock Report, as shown below.

INVENTORY TURNS FROM STOCK					
DATE: 05/05/05			TIME:16:09:36		
PAGE: 1					
ITEM NUMBER	COM	C	COG	CURRENT ON HAND \$	CURRENT TURNS
=====	=====	=====	=====	=====	=====
32	MER	W	15.110	135.990	1.679
450	ESS	W	8.040	72.360	.893
TOTAL:					

To calculate goal dollars of inventory on hand annually, use the following formula:

$$\begin{array}{l} \text{\$s of} \\ \text{Inventory} = \frac{\text{Annual Cost of Stock Goods Sold \$}}{\text{Desired Turns}} \\ \text{On Hand} \end{array}$$

To determine the goal dollars of inventory for the company or an item, annual stock cost of goods sold and the inventory stock

## Determining the Details

You can also review stocking levels using any of the following:

- (R) or (RR) Screens \$ Report
- (R) or (RR) Screens Low Stock Report
- (R) or (RR) Screens Overstock Report.

TEST SYSTEM		LOW STOCK WHOLESALE REPORT		05/05/05											
TEST STREET		(2) WEEK CYCLE		13:45:52											
RICHARDSON TX 75111		FOR LOCATION ( )		PAGE 1											
LO ITEM NUMBER	CO. DESCRIPTION	UNITS	COST	L-YEAR	Y-T-D	MON-3	MON-2	MON-1	MONTH	HITS	NEED	O-HND	STCK	QTY	STCK \$
AL 00	LFC LEAPPAD	EA	1	14.880							5				
AL 00133	UNV RUBBERBANDSBX	1	2.390	51	10			21		1	5		5		11.95
AL 00-166	AVE GLUE,STICK,,26EA	1	.500	16				10			2		2		1.00
AL 00558	EXB TAPE,EXABYTE	EA	1	96.960	61			25			6		6		581.76
AL 01482	KIM TOWEL,PERF	CT	30	1.161	11			6			1		1		1.161
AL 0155	LER LINK N LEARN	EA	1	2.430		1					1				
AL 016180000	XER TONER,PHASEREA	1	265.780	6				5			1		1		265.780
AL 1053685	LEX RIBBON,4247 SE	EA	1	29.980	37	6		9	6	1	2		2		59.96
AL 10572	ACM SHEARS,8 INCH	EA	1	1.500	15			10			2		2		3.00



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You can also review sales of stock to determine obsoletes. Use any of the following reports:

- (RR) Screen Overstock Report
- (UR) Screen [G] Function Item Sales Comparison by Periods Report
- (RR) Screen Hits Report.

TEST SYSTEM		INVENTORY USAGE REPORT											05/05/05			
TEST STREET																
15:12:49																
RICHARDSON		TX 75111											PAGE 1			
L#	ITEM NUMBER	CO	DESCRIPTION	UM	WHL-COST	L-YEAR	Y-T-D	M-T-D	MON-1	MON-2	MON-3	ON-HND	ON-ORD	L- P/O #	L-SOLD	HITS
AL	DELIVERY	TCS		EA	.100	8751	2633	1315	14					106753	02/23/05	2847
AL	LABOR	TCS	LABOR CHARGE PER HR			9176	1628	645	923						02/17/05	1571
AL	FREIGHT		FREIGHT CHARGES	EA	.100	9485	1093	485						4	/ /	980
AL	C4127XR	TCS	TONER,HP 4000,REMEA			8859	1568	665	1116			179		115297	/ /	774
AL	INSTALL	TCS	LABOR CHARGE-1/2 HR			3948	753	290	342						02/22/05	735
AL	Q1338AR	TCS	TONER,HP 4200,REMEA			4636	1237	515	451			101	83	51393	02/22/05	689

TEST SYSTEM		Item Sales Comparison										05/10/05	
TEST STREET		Period 1 (05/01/04-05/05/04) vs. Period 2 (06/01/04-06/05/04)										10:07:12	
RICHARDSON		TX 75111 For Location ( 1) -A										Page 1	
Item Number	Company	UM	Period 1				Period 2						
			Sales	Cost	Margin	G.P.	Sales	Cost	Margin	G.P.			
Company " "													
SVCCPP000-UC			3871.78	.00	3871.78	100.00	.00	.00	.00	.00			
MISC-UC			173.11	99.31	73.80	42.63	.00	.00	.00	.00			
FREIGHT		EA	170.44	263.43	-92.99	-54.56	2054.75	1010.41	1044.34	50.83			
			.00	.00	.00	.00	.00	.00	.00	.00			
CLEANKIT-UC			.00	.00	.00	.00	100.00	70.00	30.00	30.00			
DELIVERY			.00	.00	.00	.00	16.00	16.00	.00	.00			
LASERPRINTER		EA	.00	.00	.00	.00	.00	.00	.00	.00			
MFE20049-UC			.00	.00	.00	.00	.00	13.85	-13.85	.00			
Totals For Company " "			4215.33	362.74	3852.59	91.39	2170.75	1110.26	1060.49	.48.85			
02012-UC	AAK		.00	.00	.00	.00	490.00	220.00	270.00	55.10			
Totals For Company "AAK"			.00	.00	.00	.00	490.00	220.00	270.00	.55.10			
72500	ACC	BX	6.90	3.40	3.50	50.72	.00	.00	.00	.00			
72380	ACC	BX	1.25	1.20	.05	4.00	.00	.00	.00	.00			
35108	ACC	BX	.00	.00	.00	.00	67.13	27.44	39.69	59.12			
37201	ACC	EA	.00	.00	.00	.00	23.90	11.50	12.40	51.88			
74020	ACC	EA	.00	.00	.00	.00	11.69	10.53	1.16	9.92			
Totals For Company "ACC"			8.15	4.60	3.55	43.56	102.72	49.47	53.25	.51.84			

## How to Use the Information

You can review each item to determine stocking depth to maintain a two week supply for RDC stock items or minimum order quantity which is even longer. The following is an example of the (R) Screen Inventory What If Report.

TEST SYSTEM		LOW STOCK WHOLESALE REPORT		05/05/05											
TEST STREET		(2) WEEK CYCLE		13:45:52											
RICHARDSON TX 75111		FOR LOCATION ( )		PAGE 1											
LO ITEM NUMBER	CO. DESCRIPTION	UNITS	COST	L-YEAR	Y-T-D	MON-3	MON-2	MON-1	MONTH	HITS	NEED	O-HND	STCK	QTY	STCK \$
AL 00	LFC LEAPPAD	EA	14.880							5					
AL 00133	UNV RUBBERBANDSBX	1	2.390	51	10			21		1	5		5		11.95
AL 00-166	AVE GLUE,STICK,,26EA	1	.500	16				10			2		2		1.00
AL 00558	EXB TAPE,EXABYTE EA	1	96.960	61				25			6		6		581.76
AL 01482	KIM TOWEL,PERF CT	30	1.161	11				6			1		1		1.161
AL 0155	LER LINK N LEARN EA	1	2.430		1					1					
AL 016180000	XER TONER,PHASEREA	1	265.780	6				5			1		1		265.780
AL 1053685	LEX RIBBON,4247 SE EA	1	29.980	37	6			9	6	1	2		2		59.96
AL 10572	ACM SHEARS,8 INCH EA	1	1.500	15				10			2		2		3.00

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You can review each stock item to determine stocking depth to maintain a four to five week supply for RDC non-stock items. See the (R) Screen Inventory What If Report shown below.

TEST SYSTEM		LOW STOCK WHOLESALE REPORT				05/05/05									
TEST STREET		(2) WEEK CYCLE		13:45:52											
RICHARDSON TX 75111		FOR LOCATION ( )		PAGE 1											
LO ITEM NUMBER	CO. DESCRIPTION	UNITS	COST	L-YEAR	Y-T-D	MON-3	MON-2	MON-1	MONTH	HITS	NEED	O-HND	STCK	QTY	STCK \$
AL 00	LFC LEAPPAD	EA	1	14.880						5					
AL 00133	UNV RUBBERBANDSBX	1	2.390	51	10			21		1	5		5		11.95
AL 00-166	AVE GLUE,STICK,,26EA	1	.500	16				10			2		2		1.00
AL 00558	EXB TAPE,EXABYTE	EA	1	96.960	61			25			6		6		581.76
AL 01482	KIM TOWEL,PERF	CT	30	1.161	11			6			1		1		1.161
AL 0155	LER LINK N LEARN	EA	1	2.430		1					1				
AL 016180000	XER TONER,PHASEREA	1	265.780	6				5			1		1		265.780
AL 1053685	LEX RIBBON,4247 SE	EA	1	29.980	37	6		9	6	1	2		2		59.96
AL 10572	ACM SHEARS,8 INCH	EA	1	1.500	15			10			2		2		3.00

# The HP Factor

What percentage does your vendor make up of your total volume. You can use these reports:

- (UR) Screen [G] Function Item Sales Comparison by Periods Sort by sales and then by vendor
- (R) or (RR) Screen Usage Report sorted by YTD sales and vendor.

TEST SYSTEM		Item Sales Comparison								05/10/05	
TEST STREET		Period 1 (05/01/04-05/05/04) vs. Period 2 (06/01/04-06/05/04)								10:07:12	
RICHARDSON		For Location ( 1) -A								Page 1	
TX 75111		Period 1				Period 2					
Item Number	Company	UM	Sales	Cost	Margin	G.P.	Sales	Cost	Margin	G.P.	
Company " "											
SVCCPP000-UC			3871.78	.00	3871.78	100.00	.00	.00	.00	.00	
MISC-UC			173.11	99.31	73.80	42.63	.00	.00	.00	.00	
FREIGHT		EA	170.44	263.43	-92.99	-54.56	2054.75	1010.41	1044.34	50.83	
			.00	.00	.00	.00	.00	.00	.00	.00	
CLEANKIT-UC			.00	.00	.00	.00	100.00	70.00	30.00	30.00	
DELIVERY			.00	.00	.00	.00	16.00	16.00	.00	.00	
LASERPRINTER		EA	.00	.00	.00	.00	.00	.00	.00	.00	
MFE20049-UC			.00	.00	.00	.00	.00	13.85	-13.85	.00	
Totals For Company " "			4215.33	362.74	3852.59	91.39	2170.75	1110.26	1060.49	.48.85	
02012-UC		AAK	.00	.00	.00	.00	490.00	220.00	270.00	55.10	
Totals For Company "AAK"			.00	.00	.00	.00	490.00	220.00	270.00	.55.10	
72500	ACC	BX	6.90	3.40	3.50	50.72	.00	.00	.00	.00	
72380	ACC	BX	1.25	1.20	.05	4.00	.00	.00	.00	.00	
35108	ACC	BX	.00	.00	.00	.00	67.13	27.44	39.69	59.12	
37201	ACC	EA	.00	.00	.00	.00	23.90	11.50	12.40	51.88	
74020	ACC	EA	.00	.00	.00	.00	11.69	10.53	1.16	9.92	
Totals For Company "ACC"			8.15	4.60	3.55	43.56	102.72	49.47	53.25	.51.84	

TEST SYSTEM		INVENTORY USAGE REPORT								05/05/05							
TEST STREET		15:30:10															
RICHARDSON		PAGE 1															
TX 75111																	
L#	ITEM NUMBER	CO	DESCRIPTION	UM	WHL-COST	L-YEAR	Y-T-D	M-T-D	MON-1	MON-2	MON-3	ON-HND	ON-ORD	L-P/O #	L-SOLD	VENDOR	YTD\$
AL	Q1338AR	TCS	TONER,HP 4200,REM EA		4636	1237	515	451				101	83	51393	02/22/05		39724
AL	LABOR	TCS	LABOR CHARGE PER HR		9176	1628	645	923							02/17/05		07781
AL	C4127XR	TCS	TONER,HP 4000,REM EA		8859	1568	665	1116				179		115297	/ /		100584
AL	C8061XR	TCS	TONER,HP 4100,REM EA		5249	998	453	598				107	77	51393	02/22/05		79789
AL	SRVCNTRCT	TCS	SERVICE CONTRACT EA		581	189	163	16							12/10/04		7892
AL	C4182XR	TCS	TONER,HP 8100,REM EA		3931	741	331	466				142	92	51393	02/22/05		68099
AL	92298AR	TCS	TONER,EPE/4/4+,RE EA		7597	1329	548	833				393	29		/ /		58105
AL	C3909AR	TCS	TONER,5SI/8000,RE EA		4145	761	303	546				212		51393	02/02/05		56143

## Actual Dealer Performance

You can view the on hand inventory value as a percent of annual sales in any of the following screens or windows:

- (W) Screen
- G/L Financial Report
- General Ledger Posting Tab.

To view the annual COGs sold as a percent of sales, use these screens or windows:

- (W) Screen
- G/L Financial Report
- General Ledger Posting Tab.

<b>COST OF GOODS AS A PERCENTAGE OF SALES</b>				
<b>COST OF SALES</b>				
Department 1	12,618,516.40	31.0%	16,182,836.01	30.8%
Department 2	751,540.07	1.8%	751,680.41	1.4%
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Department 4	4,850,022.42	11.9%	7,194,721.09	13.7%
Department 5	69,874.80	0.2%	198,769.80	0.4%
Department 6	542,915.69	1.3%	1,178,873.17	2.2%
<b>TOTAL COG</b>	<b>33,402,374.90</b>	<b>82.1%</b>	<b>42,974,384.84</b>	<b>81.9%</b>

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You can create a report detailing stock inventory turn rate. Use the (R) Screen Inventory Turn Report, shown below.

INVENTORY TURNS FROM STOCK					
DATE: 05/05/05			TIME:16:09:36		
PAGE: 1					
ITEM NUMBER	COM	C	COG	CURRENT ON HAND \$	CURRENT TURNS
32	MER	W	15.110	135.990	1.679
450	ESS	W	8.040	72.360	.893
TOTAL:					

You can also determine the overall percent of gross margin. You can use the following:

- (R) or (RR) Screens Usage Report sort by margin, YTD margin, and department
- (UR) Screen [G] Function Item Sales Comparison by Periods sort by 13=gross margin and 9=department
- (W) Screen
- G/L Financial Reports.

<b>SALES DEPARTMENTS 1-6 AS A PERCENT OF GROSS SALES</b>				
	Month Current	Month % of Rev	Year To Date Current	Year To Date % of Rev
NET SALES				
Department 1	14,980,688.11	36.8%	19,364,663.31	36.9%
Department 2	738,487.38	1.8%	742,668.75	1.4%
Department 3	17,825,166.38	43.8%	21,453,050.46	40.9%
Department 4	6,175,980.75	15.2%	9,148,785.98	17.4%
Department 5	134,287.50	0.3%	217,551.93	0.4%
Department 6	819,541.58	2.0%	1,538,667.88	2.9%
TOTAL NET SALES	40,674,151.70	100.0%	52,465,388.31	100.0%

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You can run the (R) or (RR) Screens Catalog Limit to Bin Totals Only Report to determine the number of SKUs stocked.

TEST SYSTEM		ITEM STOCK CATALOG LISTING				05/05/05			
TEST STREET						16:14:40			
RICHARDSON		TX	75111		PAGE 1				
ITEM NUMBER	CO.	ITEM DESCRIPTION	N	UN	D	C	LIST	P	BIN
00-166	AVE	GLUE, STICK, .26OZ.	N	EA	H	W	.980	10A1	
12000201	RAW	CORE, BX, VIRGIN		EA	5	F	8.750	36B1	
12000701	RAW	CORE, NX, VIRGIN		EA	5	F	6.000	32B1	
12000801	RAW	CORE, PX, VIRGIN		EA	5	F	8.500	34A1	
12000901	RAW	CORE, SX, VIRGIN		EA	5	F	1.500	32A1	
12001001	RAW	CORE, VX, VIRGIN		EA	5	F	2.500	33D1	
12001301	RAW	CORE, 4039, VIRGIN		EA	5	F	10.000	36G1	

Run the (R) or (RR) Screens Catalog Limit to Bin report and limit to department to determine the number of IT SKUs stocked.

TEST SYSTEM		ITEM STOCK CATALOG LISTING				05/05/05			
TEST STREET						16:14:40			
RICHARDSON		TX	75111		PAGE 1				
ITEM NUMBER	CO.	ITEM DESCRIPTION	N	UN	D	C	LIST	P	BIN
00-166	AVE	GLUE, STICK, .26OZ.	N	EA	H	W	.980	10A1	
12000201	RAW	CORE, BX, VIRGIN		EA	5	F	8.750	36B1	
12000701	RAW	CORE, NX, VIRGIN		EA	5	F	6.000	32B1	
12000801	RAW	CORE, PX, VIRGIN		EA	5	F	8.500	34A1	
12000901	RAW	CORE, SX, VIRGIN		EA	5	F	1.500	32A1	
12001001	RAW	CORE, VX, VIRGIN		EA	5	F	2.500	33D1	
12001301	RAW	CORE, 4039, VIRGIN		EA	5	F	10.000	36G1	
12001302	RAW	CORE, 4039, REMAN		EA	5	F	10.000	36G1	

## Inventory — Count Less, Sell More

You can determine the warehouse operating expenses as a percent of sales.  
 You can view this information in any of the following:

- (W) Screen
- G/L Financial Reports
- General Ledger Posting Tab.

<b>EXPENSES AS A PERCENTAGE OF SALES</b>				
OPERATING EXPENSES				
Selling Expense	1,155,513.73	2.8%	3,047,129.91	5.8%
Occupancy Exp	163,158.79	0.4%	376,561.04	0.7%
Warehouse Expense	-304,286.04	-0.7%	1,030,959.70	2.0%
Office Expense	676,386.07	1.7%	1,484,635.77	2.8%
Administrative Exp	696,921.73	1.7%	1,404,654.20	2.7%
<b>TOTAL OPERATING EXP</b>	<b>2,387,694.28</b>	<b>5.9%</b>	<b>7,343,940.62</b>	<b>14.0%</b>

## Additional Reports

### Inventory Usage Report

TEST SYSTEM		INVENTORY USAGE REPORT										05/05/05				
TEST STREET												15:07:01				
RICHARDSON		TX 75111										PAGE 1				
L#	ITEM NUMBER	CO DESCRIPTION	UM	WHL-COST	L-YEAR	Y-T-D	M-T-D	MON-1	MON-2	MON-3	ON-HND	ON-ORD	L- P/O #	L-SOLD	HITS	G.P.
AL	DELIVERY	TCS	EA	.100	8751	2633	1315	14					106753	02/23/05	2847	98.7
AL	LABOR	TCS LABOR CHARGE	HR		9176	1628	645	923						02/17/05	1571-15.0	
AL	FREIGHT	FREIGHT CHARGE	EA	.100	9485	1093	485					4		/ /	980	21.0
AL	C4127XR	TCS TONER,HP4000REM	EA		8859	1568	665	1116			179		115297	/ /	774	37.8
AL	INSTALL	TCS LABOR CHARGE	HR		3948	753	290	342						02/22/05	735	T57.0
AL	Q1338AR	TCS TONER,HP4200,REM	EA		4636	1237	515	451			101	83	51393	02/22/05	689	33.8

Inventory — Count Less, Sell More

Low Stock Report (four week cycle)

TEST SYSTEM		LOW STOCK WHOLESALE REPORT				05/05/05									
TEST STREET		( 4 ) WEEK CYCLE				15:17:41									
RICHARDSON TX 75111		FOR LOCATION ( )				PAGE 1									
LO ITEM NUMBER	CO. DESCRIPTION	UNITS	COST	L-YEAR	Y-T-D	MON-3	MON-2	MON-1	MONTH	HITS	NEED	O-ORD	O-HND	B-ORD	ORDER
AL 00	LFC LEAPPAD BACLPA	EA	14.880							5				4	4
AL 00133	UNV RUBBERBANDS,SI	BX	2.390	51	10			21		1	10				10
AL 00-166	AVE GLUE,STICK,,26	EA	.500	16				10			5				5
AL 00558	EXB TAPE,EXABYTE 2	EA	196.960	61				25			12				12
AL 006R90303	XER TONER,PHASER 1	EA	1103.690	23	5			4		5	2		1		1
AL 01482	KIM TOWEL,PERF RL,	CT	30 1.161	11				6			3				3
AL 0155	LER LINK N LEARN W	EA	2.430		1					1				1	1
AL 016172700	XER MAINTENANCE KI	KT	108.780	5				3			1				1
AL 016180000	XER TONER,PHASER 7	EA	265.780	6				5			2				2
AL 016180100	XER TONER,PHASER 7	EA	265.780	10				5			2				2
AL 016180200	XER TONER,PHASER 7	EA	265.780	5				3			1				1
AL 016182300	XER PAPER,PREM CVR	PK	20.470	4				3			1				1
AL 016182500	XER INKSTICKS,PHAS	PK	201.910	19	3			3	1	3	1				1
AL 016182600	XER INKSTICKS,PHAS	PK	201.910	20	4			3		4	1				1
AL 016183400	XER MAINTENANCE KI	KT	148.430	14	5			4	2	4	2		1		1

Over Stock Report (two week cycle)

TEST SYSTEM		OVER STOCK REPORT				05/05/05									
TEST STREET		( 2 ) WEEK CYCLE				13:59:21									
RICHARDSON TX 75111		FOR LOCATION ( )				PAGE 1									
ITEM NUMBER	CO DESCRIPTION	UNITS	COST	L-YEAR	Y-T-D	MON-3	MON-2	MON-1	MONTH	HITS	NEED	O-ORD	O-HAN	BACKO	OVER
Q5801A	HEW HP OFFICEJET62	EAEA	275.320			1				1		10			10
#10REGNONWINLOVE#10	REG NON WIN	BX				5				1			5		5
00004	RSA ROSS SCHOOLGLU	1EAEA	.390	281		36			12	3		12	24	12	24
00150-288	ASI 4PK NON TOXIC	EA				255				255	1		33		33
00150-500	ASI 4 PK NO TOXIC	EA				576				1			576		576
00164	UNV RUBBERBANDS,	1BXBX	2.390	207	48				23	4			10		10
00264	RSS GLUE,1 GALLON	EAEA	6.860	189	45				4	17	20	1	1	2	1
00302	UNV DISK,DS/HD,3.5"1PKPK		12.970			1						1			1

Inventory Analysis Report

INVENTORY ANALYSIS REPORT							
DATE:05/05/05				TIME:16:08:56			
PAGE: 1							
ITEM NUMBER	COM C	SOLD	MFG COST	EXT MFG COST	WHL COST	EXT WHL COST	
32	MER W	1	14.500	14.500	15.110	15.110	

The reports in this chapter are custom reports. For instructions on downloading these reports, go to [www.ddms.com/support/download/cstmrpts.htm](http://www.ddms.com/support/download/cstmrpts.htm)

## Chapter 3: Building & Maintaining an Inventory Database

One of the primary steps in automating inventory control is loading item files. Item files are a necessary component for order entry, correct pricing, and purchasing. They are also the primary component for effective inventory control.

Item files are an evolving element that require a well planned setup and continuous maintenance over the years. Left alone, they will become ineffective. With proper care, the item files will help increase sales, ease purchasing burdens, reduce excessive stock, and minimize lost sales. A planned file will also ease the difficult task of starting and maintaining perpetual inventory.

For item files to be effective, you must:

- Load the update consistently
- Check for newly added items and set the class, department, and alternate codes
- Check for duplicate items.

Loading item files provides the basic information critical to going live on order entry, such as the stock number and description, pricing and costing, and the selling unit of measure. Other data important to purchasing is also loaded, including the wholesaler's prefix and the buying unit.

Some boxes in the Item window are completed during the initial loading of item files, but other boxes are useful tools of inventory control. Key boxes are Stock Class, Alternate Codes, Unit of Measure, and Hits.

### Stock Classes

Stock classes play a significant role in purchasing and inventory control. The stock class identifies the group to which a specific item belongs. It also allows selective updating of list price, replacement cost, and average cost in the item file update program.

Before stock classes can be an effective tool, the dealer must review his own operation, decide what his needs are, and determine how he plans to use stock classes to meet those needs. Stock classes are not necessary to go live on order entry and purchasing, but proper stock class assignments increase inventory control, order entry, and purchasing capabilities.

Following is one method for classifying items by stock class. (Your own business practices and creativity will help define the method you use.)

Stock Class A: Stocked items purchased direct — top 50 sellers

Stock Class B: The remaining stocked items purchased direct

Stock Class C: Stocked items purchased from a wholesaler

Stock Class D: Stocked items for seasonal sales

Stock Class N: Non-stocked items purchased from a wholesaler

Stock Class W: New items from a wholesaler.

Other categories could be:

- New items loaded from an item file update
- Items needing special manual price/cost updating
- Items with long descriptions, such as furniture
- Items requiring product labels
- Discontinued items
- Items with preferred substitutes
- Items with required substitutes
- Group checkouts.

What kinds of categories are necessary for effective inventory management? A category for stocked versus non-stocked items will let you continually analyze the stocking status of items without requiring that you review 30,000 items. These stock classes also allow you to quickly identify a problem with the stock level of an item if it repeatedly shows up on the Short Buy Report.

All items initially loaded through the item file update program are added under the stock class of W, or whatever you set as the default. From this starting point, the dealer reassigns stock classes to divide the inventory file into manageable groups. All inventory items should be reviewed periodically and adjusted to meet changing demands.

With one notable exception, there are no absolute rules regarding stock class assignment. The exception is that you will realize an efficiency in purchasing reports by using the ABC method. The ABC method simply means that reports will be sorted in alphanumeric order, and that, since stocked items need to be listed at the beginning of these reports, stocked items should have the first stock classes; A, B, and C, for example. See Figure 1.

Stock class N or W is often used to label non-stock items. Since new items are loaded as stock class W, if N is used for non-stock items, all items added in later updates are easily identified. However, if the non-stock items are not changed from W to N, you must review the printout from the update for new items.

To use stock class N, use the (+E) Special Item Screen to mass change all stock class W items to stock class N after the initial load. You can also use the (+EP) Set Class screen to change stock classes (discussed later in this section). After loading updates, print a list of the new W items. Change items you want to remain as non-stock items to N, and change the others to their appropriate stock classes. Doing this after each update ensures that your items are classified properly.

When loading an item file update, you can use item class to prevent an item's list price, replacement cost, average cost, or description from getting updated. For example, you could limit an average cost update to non-stock items only, since the average cost for stocked items is best updated in purchasing.

### User-Defined Categories

In the Item Master tab, you can enter categories. In the Categories 1/2/3/4 boxes, enter any type of user-defined code. You can use these codes to group items by category. You can use the categories when mass changing items or as additional sorts and limits when printing reports.

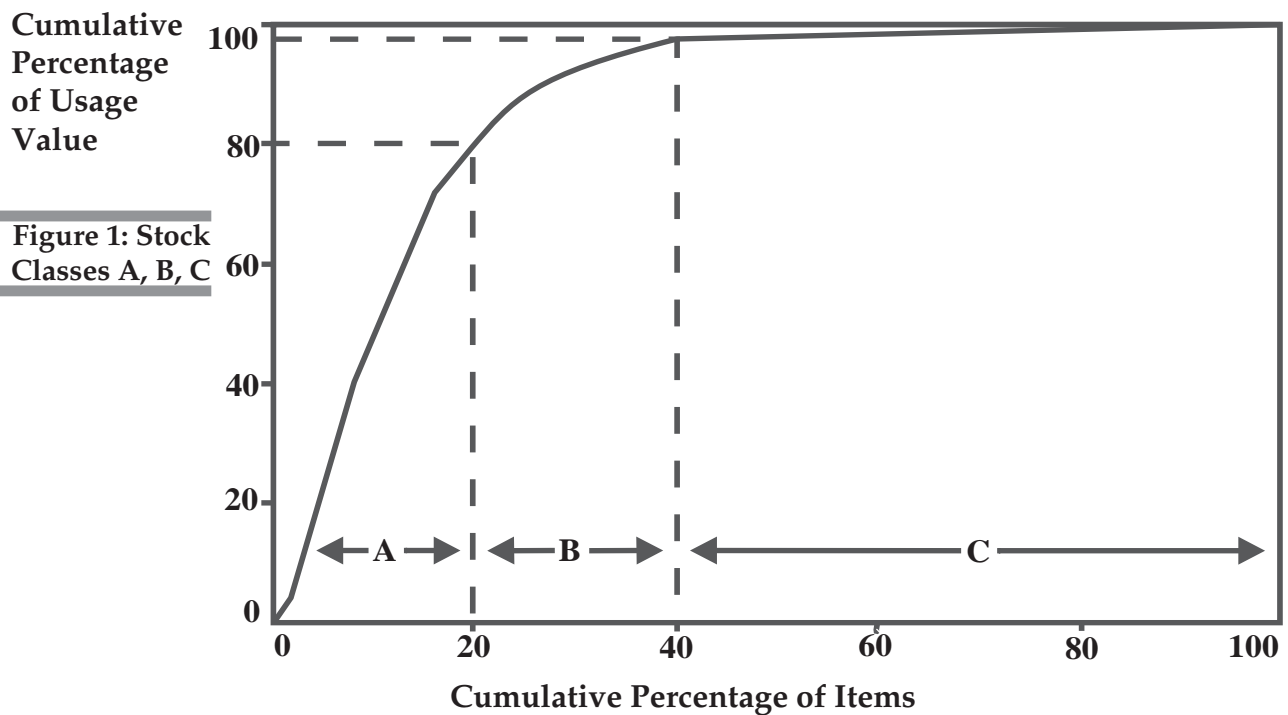


Figure 1: Stock Classes A, B, C

## Setting Realistic Stock Classes

You must make the following decisions before you begin setting stock classes:

- 1 How many of an item will you sell in a given time period?
- 2 How many dollars can you afford to keep in inventory?
- 3 What is the ratio of cost to hits? (If an item is low in cost and high in hits, that item should never be out of stock.)
- 4 What gross profit margin does the item contribute in dollars? (If it has a high profit margin, it should always be in stock.)
- 5 What does it cost you to purchase the item?
- 6 Do you focus on items that support your vendors? You do not want to sell five different lines of ring binders, legal pads, or pencils, for example. Buy as much from a single vendor as possible, so that you can purchase more often and turn your inventory better.

## Mass Setting Item Classes

Instead of manually assigning item classes one item at a time, you can mass set them. To do this, select [P] Set Class from the (+E) screen. The (+EP) screen is shown in Figure 2.

**Figure 2: The (+EP) Screen**

```

PROGRAM WILL SET INVENTORY CLASS FIELDS

ITEM #      [          ] TO [          ]
ITEM CO.    [          ] TO [          ]
ITEM DESC.  [          ] TO [          ]
MFG VENDOR [          ] TO [          ]
WHL VENDOR [          ] TO [          ]
PUR VENDOR [          ] TO [          ]
CLASS:     MASTER [ ] TO [ ] PRICING [ ] TO [ ]
DEPT.:     MASTER [ ] TO [ ] PRICING [ ] TO [ ]
ITEM YTD HITS [          ] TO [          ]
ITEM YTD SALES [          ] TO [          ]
ITEM YTD GROSS % [          ] TO [          ] YTD MARGIN [          ] TO [          ]
WHICH CLASS TO SET MASTER OR PRICING M/P [M] AND TO WHAT [ ]

WHICH LOCATION (BLANK = ALL) [ 1 ]

VERIFY CHANGES RECORD BY RECORD Y/N [N]

```

When you mass set item classes, you should first print a variety of inventory reports to give you the limits you will use. Some common limit fields are item company, vendor, existing class, item department, year-to-date hits, gross profit percentage, and margin.

## Alternate Types

Another important box in the item file is the alternate code. Alternate codes provide several powerful capabilities. You can influence the order-writer to sell — and put on customer orders — those items that your company purchases most efficiently and profitably. This serves two important objectives. First, the customer order is filled more completely from stock, increasing your service level. Second, it is not necessary to create a backorder for an item and purchase it from your wholesaler, since you sell a comparable item that is stocked and available immediately.

You can set up alternate information for an item to designate an item to be sold in place of the original item, to give additional information about the item, or to indicate a special quality about the item.

There are 14 types of alternates. They are in three groups: hard coded, preset, and alternate types with no preset code.

Hard coded alternate types include:

- **Display-Only Information:** Assign the Display-Only Information alternate type code if you want related information to display when an item is retrieved in order entry. This alternate does not print on pick tickets or invoices. The code for this type of alternate is a blank space. For example, for a pen, you can enter the item number and company of the pen refill in the Alternate Number and Alternate Company boxes in the Item Master tab. When the information for the pen is retrieved in order entry, the item number and company for the pen refill display. The order-taker can suggest that the customer buy a refill at the same time.
- **Extended Item Description:** Assign the Extended Item Description alternate type code when you have a long item description. Enter the first part of the description in the Description box and enter the rest of the description in the Alternates Number and Company boxes in the Item Master tab. The code for this type of alternate is N. When you use this type of alternate, the information in the alternate item Number and Company boxes is printed, as an extension of the item description, on standard pick tickets and invoices. For example, if you are entering the description for a chair, you might enter Chair, Secretary, 5 Blade, in the Description box, and enter Blue in the Alternates Number box. The entire description, Chair, Secretary, 5 Blade, Blue prints on pick tickets and invoices directly under the item number and description.

- **Linking:** Assign the Linking alternate type code to an item when the on-hand quantity for the original item is not sufficient to fill the order, but the on-hand quantity for the alternate is. The order writer is forced to use the alternate. The code for this type of alternate is Y. As many as 10 levels of alternates can be searched to find sufficient on-hand quantities. For example, if item 1 is out of stock, its alternate, item 2, is retrieved. If item 2 is out of stock, the alternate for item 2, item 3, is retrieved. The search continues, if necessary, through item 10. You can also loop the last item in the series of alternates back to the first item. For example, the order-writer places an order for item 3. Item 3 is out of stock, so the alternate for item 3 is retrieved, which is item 4. Item 4 is also out of stock, so the alternate for item 4 is retrieved, which is item 1. The search continues until an item with sufficient on-hand quantities is found.

---

**Note:** Hard coded alternates cannot have the codes changed.

---

Preset codes include:

- **Discontinued Item:** Assign the Discontinued Item alternate type code to designate a replacement item for an item that is no longer available from a vendor and/or is no longer in stock. The preset code for this alternate is D.
- **Generic Substitute:** Assign the Generic Substitute alternate type code when to fill the order with a generic item using the price of the original. When you create an order using the original item number, you can accept the alternate. If you accept the item, the price from the original is used. The preset code for this alternate is G.
- **Reference Item If There Is No On-Hand Item:** Assign the Reference Item If There Is No On-Hand Item alternate type code for items that you want to sell when no on-hand quantities exist for the originally ordered item. When you assign this type of alternate to an item, the order-writer is not allowed to use the alternate unless there are no on-hand quantities of the original. The preset code for this alternate is O.
- **Reference-Only Item:** Assign the Reference-Only Item alternate type code when you receive customer requests for an item you do not sell that is similar to an item you do sell. If you use this alternate type, a history is kept on the alternate item. You can use this alternate only if the wholesalers' identify the product differently. The preset code for this alternate is R.

- **Substitute:** Assign the Substitute alternate type code for an item if there is a different item that you would prefer to sell. Use this type of alternate only if the items are comparable. When you assign this type of substitute alternate to an item, the order-writer can accept the substitute when the original item is retrieved in Order Entry. The preset code for this alternate is S.
- **Vendor Stock Number:** The Vendor Stock Number alternate type code is reserved for future use.

---

**Note:** To use the preset alternates, you must either use the preset code from the (LE) Inventory Parameters screen or assign your own code in the Special Alternate Codes fields in the (LE) screen.

---

No preset codes include:

- **Group Check Out Items for Point-of-Sale:** Assign the Group Check-Out Items for Point-of-Sale alternate type code for a group of items that you sell individually at point-of-sale (retail order entry). For example, you may create a single item for greeting cards instead of creating items for each type of card you sell. When a group check-out item is placed on an invoice in retail Order Entry, the cost is calculated using the percentage of list specified in the Cost % field for the item's stock class in the (LE) Inventory Parameters screen. If you specified stock class H in a Class box, for example, and specified 60 in the corresponding Cost % box, a group check-out item in stock class H with a list price of \$1.00 would have a cost of \$.60. For more information, see the heading **Group Check Outs**.
- **Items that Do Not Print on Invoices:** Assign the Items That Do Not Print on Invoices alternate type code to designate items that have a cost but do not have a list price. These cost-only items can be placed on tickets during final verification to make the cost (and therefore the gross profit percentage) more accurate. Cost-only items do not print on invoices.
- **Like Item Sub:** Assign the Like Item Sub alternate type code to link together items that are alike. When you order the original item in order entry, a list of all the alternates in the chain displays. This allows the order-writer to choose one of the alternates or return to the original item. If you link the last item in the series of alternates back to the first item, all items in the chain display, no matter which item is originally ordered.


- **Preferred Item Sub:** Assign the Preferred Item Sub alternate type code if there is a different item that you would prefer to sell. You can only specify one preferred item for the original. When the original item is ordered, the original item is automatically replaced with the alternate (preferred) item. The original item number displays in a window, along with the following information: company, description, contract, discount information, selling price, list price, unit of measure, on-hand quantities, pricing cost, average cost, and gross profit percentage.
- **Substitute If None Shipped:** Assign the Substitute If None Shipped alternate type code to designate substitute items when you are out of on-hand merchandise. When you enter an item that is assigned to this alternate in order entry, and there is none shipped, you see the Substitute Alternate dialog box. If you accept the substitute, the list price of the original item and the average cost of the substitute item are used.

---

**Note:** These alternates are not hard-coded and have no preset codes. You must assign a code to these alternates in the (LE) screen before you can use them.

---

## Adding an Alternate

- 1 Double-click . The Item window opens, displaying information for the last item selected.
- 2 Select the item for which to add an alternate.
- 3 Click the Type box in the Master tab and enter one of the 14 alternate types described above.
- 4 Click the Alternates Number box in the Master tab and enter a number for the alternate. This number must refer to the same item used in the Alternates Company box.
- 5 Click the Alternates Company box in the Master tab and enter a company name for the alternate. This box must refer to the same item used in the Alternates Number box.

**Warning:** Do not use the Alternates Number and Alternates Company boxes with two types of alternates: Items that do not Print on Invoices and Group Check-out Items for Point-of-Sale.

### Group Check Outs

In a retail environment, one of the most common alternates is group check-outs. Using group checkouts lets you speed up the checkout process. Since it eliminates the need to enter similar items more than once in the Item database, it means fewer input errors and less waiting for your customers. This translates into a higher degree of customer satisfaction and greater efficiency in your business operations.

The Group Check-Outs field in the (LE) screen is used with the Class and Cost % fields. See Figure 3. The group checkout feature in the point-of-sale application lets you create a generic inventory record that represents a group of items that have the same markup but have different costs and list prices. For example, rather than have an individual inventory record for each greeting card you sell, you can create a group checkout item to represent all of these cards using the item number CARD. You could also create group checkout item records at different price levels.

While the correct list price can be entered at point-of-sale, the cost cannot. To maintain accurate costs, you can set a percentage of the list price as the cost for these items. Different percentages can be set for different stock classes.

To use this feature, you must specify an alternate code in the Group Check-Outs field. This code will be used to identify group checkout items. If you are not using the group checkout feature, tab through this field.

**Figure 3: The (LE) Screen**

```

09:25:51 (LE) Inventory Parameters 06/09/04
-----
Action [I] (C=Change,I=Inq,1=Inv Con't,2=Inv Con't) G/L Location [ 1]
-----
Add Items From: P/O (F) Y/N ?N Class ?Z Dept ?1, O/E (G) Y/N ?N Class ?Z Dept ?1
Inc/Exc ?E From P/O (F) Class ? to ? Inc/Exc ?E From O/E (G) Class ? to ?
Inc/Exc ? From O/E (GOR) Class ? to ?
Save Manual Changes Y/N ?N Save Price Changes Only Y/N ?N Mask Inquiry Y/N/L ?N
Only Save Changed Records For "M-E" Build Y/N ? Default to Purch.Vend Cost ?
-----
PASSWORDS -----
Reindex ?DDMS Eom ?DDMS Eoy ?DDMS Purge ?DDMS Delete ?DDMS
-----
SPECIAL ALTERNATE CODES -----
Discontinued Items ?D Reference Only Item ?R Substitute Item ?S
Vendor Stock Nbr. ?V Auto Accept Y/N ?N Generic Substitution ?G
No Print on Invoice ?Z Reference if No On-Hand ?O Print on Invoice Y/N ?N
Like Item Sub. ? Substitute if None Shipped ?X Use Orig. Cost Y/N ?N
Preferred Sub. ?
Group Check-outs ? (Alt. Code)
Class : 1) [ ] 2) [ ] 3) [ ] 4) [ ] 5) [ ] 6) [ ] 7) [ ] 8) [ ] 9) [ ] 10) [ ]
Cost % : [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]
-----
Items Returned at P.O.S. ? [ ] (T=Trash, O=OnHand, R=Receipts, ' '=Prompt)
    
```

When you enter an alternate code or tab using the Group Check-Outs field, the cursor will move to the Class: 1) field. There are 10 Class fields, numbered 1) through 10). If you are not using the group checkout feature, tab through these fields. If you are using this feature, enter the stock classes containing your group checkout items in these fields. If you have fewer than 10 stock classes containing group checkout items, tab through the remaining fields.

There are ten Cost % fields, each one corresponding to the Class field above it. If you are using the group checkout feature, enter the percentage of the list price to use as the cost for the group checkout items in each stock class in the appropriate Cost % field. For example, you specified stock class A in the Class: 1) field, and you have a 40% markup on these items, enter 60% in the first Cost % field.

The following scenario illustrates setting up and using a group checkout item:

- 1 Create an item in the Item Master tab called CANDY100. This represents all candy that you sell for one dollar.
- 2 In the Type box, enter P. In this example, P represents the alternate code for group checkouts.
- 3 In the Class box, enter the stock class assigned to this item, C for example.
- 4 In the List \$ box, you would enter **1.00**, leaving the Cost \$ box blank.
- 5 In the (LE) screen, select the [C] Change action code. When the cursor is in the Group Check-Outs field, specify P. This is the alternate code you assigned the item in the Item Master tab.
- 6 In the Class : 1) field, specify C. This is the stock class you assigned the item in the Class box in the Item Master tab.
- 7 In the Cost % : [ ] field, specify the percentage of the list to use as the item's cost, such as 40%.
- 8 When selling candy that retails for \$1.00, rather than having to enter each candy item individually, you can simply enter the item CANDY100.

## Important Boxes

Important boxes in the Item window are Selling Unit, Buy Unit, and Hits. These boxes work together to help you control your inventory. To keep watch over your inventory, you need to review your database. This process is described later in this section.



Many dealers may want their stocking items sold as retail units or buy units depending on the catalog and the way the items are usually sold. However, it is preferable to have the non-stock items in buy units, forcing customers to buy non-stock items in the same unit in which the dealer must buy the item. This eliminates breaking units and placing non-stock broken carton items on warehouse shelves, where they may never be sold.

To do this, you must choose whether you want retail or buy units loaded into the Sell UOM box in the Item Master tab when loading new items from an update. DDMS recommends loading the retail unit of measure for stocking items.

### Item Master Tab

In the Item Master tab, you can enter categories, and assign assort and SIC codes to an item.

Use the Categories box to enter up to four categories for an item. In this box, enter any type of user-defined code. You can use these codes to group items by category. You can use the categories when mass changing items or as additional sorts and limits when printing reports.

Use the SIC Code box to enter a user-defined sorting code or a standard industry code (SIC). Do not use the characters AAAA or ZZZZ as SIC codes. You can use this box to assign a SIC Extended Item Description, or a Companion List, restrict items in a Restrictive Contract, and so on.

---

**Note:** If you load items from an O/PUS update and answer "Yes" to SIC codes, the SIC Code box contains the SIC code supplied from the wholesaler you loaded. You need to contact your wholesaler to obtain a list of these codes.

---

In the Assortment box, enter a user-defined code for assortment pricing. To set up items for assortment pricing, assign the same assortment code to like items. Assortment pricing is set up in the Item Master tab or through a contract.

Assortment pricing in the Item Master tab can be set up in two ways.

- Assortment pricing by subtotal dollar amount — the customer receives the discount price if the subtotal of the order meets the minimum dollar amount you specify.
- Assortment pricing by quantity — the customer receives the column price if the quantity bought meets the order amount you specify.

Assortment pricing with price plans can be set up in two ways.

- To set up a specific discount, use the Specialty price plan. All items assigned the assortment code specified in this price plan are discounted by the percentage in this price plan.

- To set up quantity breaks, use a fixed, flexible, limit, or Sale price plan. Enter the item several times, specifying a different quantity and price each time.

**Note:** To use assortment pricing, you must specify Y in the Assortment Pricing field in the (LG3) Order Entry Parameters screen. To use assortment pricing with contracts, you must complete the Contract Break Assortment Pricing Contracts field in the (LG3) screen.

### Item Settings Tab

In the Item Settings tab, you can specify whether you are setting multiple units of measure for multiple selling units, or for information only. In the Multiple or Information box, enter M for multiple selling units or I for information-only units. The Item Settings tab is shown in Figure 5.

**Note:** This box displays O if the multiple units were loaded with an O/PUS load, and the units have not been converted with the (+EW) Multiple Units of Measure conversion program.

Use the Multiple Bins box to specify whether this item is set up with multiple bins. If the item is set up with multiple bins, type Y. If the item is not set up with multiple bins, type N or leave the box blank.

**Figure 5: The Item Settings Tab**

The screenshot shows a software window titled "Item: 06000 (SMD) RACK\_MOBIL DATA.BK". The window has a menu bar (File, View, Help) and a toolbar. Below the toolbar are four tabs: Master, Settings (selected), Vendors, and Remarks. The Settings tab is divided into several sections:

- Pricing:** Contains fields for Loc (1), Up Cost %, Net Price Flag (N), GL Dept, Up List %, Min. Sell Qty, Class, Max Discount % (8), Contract, and Don't Mark as National Drop Ship Item.
- Details:** Contains fields for Weight, Hours, Serial, Multiple Bin (Y), Lead Time, Core/Recyclable, Tax Code, Price File # (604533), Kit, Product Group, and Item Code.
- Units of Measure:** Includes a table for EDI Use Only with columns for Unit, Quantity, Unit, Quantity, and M/D. The table contains four rows of zeros. Below the table is a checkbox for "Multiple or Information?".
- Common Aliases:** A large empty text area.

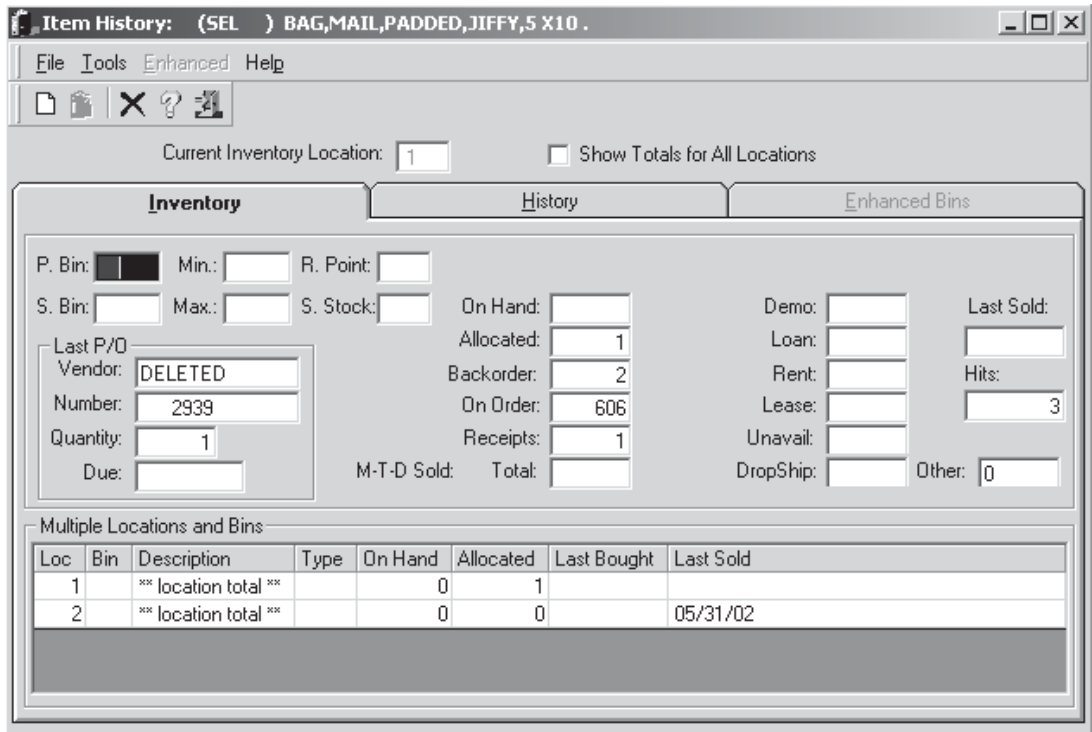
You set up multiple bins in the Multiple Bins dialog box. In the Item database, click View then select Item Bins. The Multiple Bins dialog box opens. You assign a bin type. You can assign the following types: multiple bin, staging bin, machine bin, retail bin, quick pull bin, intermediate bin, bulk bin, backup bin, or overflow bin.

**Hits**

Hits are the number of times an item appears on an invoice. You can use historical data to determine whether an item is to be a stock item or a non-stock item. In a minimum of two to three months of online order entry, a dealer can have meaningful data for review. No one box or piece of data can make the definition, but the Hits box is important in determining stock class and bin location assignments. This box is shown in Figure 6.

There is no need to stock items without hits. Avoid stocking items with few hits because they may become part of accumulated non-selling stock. Periodically review a hits report on non-stock items to reveal items that should be stocked.

**Figure 6: The Item History Window**



The Hits box acts as a counter. Every time an item is entered as a line item on an order (pay code 1, 2, 3, 4, or 9), another count is added to the item's hits box. Run a hits report periodically, and, on a schedule, clear hits. Most dealers clear hits once a year. It is important to know how long the hits have been accumulating when evaluating a hits or usage report.

A hits report is an item catalog sorted by hits. Limiting this report to the first 5,000 to 8,000 items is more than adequate for determining stocking items. A hits report limited to 1,000 items is useful for bin location assignments. This report prints in descending order with the item with the most hits printing first.

### **Inventory Review Process**

The review process is a necessary, time-consuming task that pays off with better service and lower inventory costs through better stocking practices. Some dealers review the stocking and non-stocking positions annually. Others review it quarterly. Both have good inventory control.

#### **What exactly do they need to do to review this?**

By segregating stock items between direct purchase and wholesaler purchase, a dealer's purchasing agent can make better decisions. If a Short-Buy Report turns up a stocked item, the agent is alerted to determine when the next order from the manufacturer is due. With this information, enough stock can be ordered to cover current and near-future customer orders without over-purchasing from the wholesaler.

Having stocking items appear on short-buys, necessitating wholesaler purchases at a higher cost, should be cause for review. Is this a fluke or a trend? Should more be purchased direct, or is this a momentary increase? A usage report, which shows not only hits but complete history of the item, is a valuable tool for such an analysis.

Stocked items purchased from wholesaler sources need periodic review. High frequency of sales may make these items candidates for direct purchase. Low frequency could make it a non-stock item.

Planning and continuous maintenance of the item file is critical and cannot be overemphasized. Nearly every day, the purchasing evaluation of hits and usage reports acts as a maintenance guide throughout the year. No inventory is unaccounted for. This will make your single biggest asset, inventory, work for you instead of the other way around.

## Setting Minimum & Maximum Quantities

Min/Max quantities are commonly used in the retail environment. This section explains how to set minimum and maximum stocking levels through the (+E) screen. These levels are used in calculating reorder amounts on the Low-Stock and Overstock Reports. You can use these reports to replenish stock although commercial dealers may want to use the Cycle Report.

**Note:** It is not necessary to clear existing minimums and maximums prior to running this function.

- 1 To set minimums and maximums, select the [E] Modify Inventory Records function from the (+) Special Programs screen.
- 2 The system displays the (+E) screen. Select the [O] Set Minimum/Maximum action code.
- 3 The Minimum and Maximum Fields screen appears, as shown in Figure 7. In the fields in this screen, you can limit which item records are included in this function by specifying a range. Suppose you want to set the minimum and maximum quantities on records with stock classes of A to B. You would enter 1000 in the Item # field, and 2000 in the corresponding To field. If you do not want to set limits, press Enter until the cursor moves to the Formula to Use field.

**Figure 7: The Minimum and Maximum Fields Screen**

```

PROGRAM WILL SET INVENTORY MINIMUM AND MAXIMUM FIELDS

ITEM #      [          ] TO [          ]
ITEM CO.    [          ] TO [          ]
ITEM DESC.  [          ] TO [          ]
MFG VENDOR [          ] TO [          ]
WHL VENDOR [          ] TO [          ]
PUR VENDOR [          ] TO [          ]
CLASS:     MASTER [ ] TO [ ] PRICING [ ] TO [ ]
DEPT.:     MASTER [ ] TO [ ] PRICING [ ] TO [ ]

FORMULA TO USE:  1) 3 MONTHS OR 2) 12 MONTHS [2]

NUMBER OF WEEKS TO STOCK:  MINIMUM [ 4.00] MAXIMUM [17.00]

WHICH LOCATION (BLANK = ALL) [ 1]

VERIFY CHANGES RECORD BY RECORD Y/N [N]

```

---

**Note:** If you do not specify a range, the system will set minimums and maximums for all inventory records with history in the Item History window.

---

- 4 The Class and Dept fields refer to the Class box in the Item Master tab and the Class box in the Item Settings tab, and the GL Dept box in the Item Master tab and the GL Dept box in the Item Settings tab, respectively.
- 5 To set limits, tab to the appropriate field, enter the beginning of the range to include in the changes in the first field, and press Tab. Enter the end of the range in the corresponding To field.
- 6 After you set limits, or move the cursor past the limit fields, the cursor moves to the Formula to Use field.
- 7 Specify how minimums and maximums are calculated for each inventory record based on their usage history. The three month selection is calculated using the following formula:

**(M1+M2+M3)**

————— x CW = Suggested Min/Max Levels

**13**

**M1** = Month 1

**M2** = Month 2

**M3** = Month 3

**13** = Average number of weeks in three months

**CW** = Cycle weeks.

---

**Note:** The system uses the three months prior to the current month.

---

- 8 In the Number of Weeks to Stock field, set the minimum and maximum number of weeks to stock. Set the minimum according to the number of weeks to reorder. This should include lead time from vendors. Set the maximum based on your usage history.
- 9 In the Which Location field, specify the location that you want to set minimums and maximums for. To set minimums and maximums for all locations, press the Space Bar to move through the Which Location field.
- 10 The cursor moves to the Verify Changes Record by Record field. Here, you specify how you want to verify changes to records. To change each specified inventory record one at a time, type **Y**. To change all specified inventory records, press Enter or type **N**.

- 11 The Are You Ready to Go prompt appears. If you do not want to set the minimums and maximums, press Enter or type **N**. The cursor returns to the Item # field. To set the minimums and maximums for each record that meets the specified criteria, type **Y**.
- 12 The system displays the following information for each record that meets the limits you set:
  - Item number
  - Company/color
  - Number of records read
  - Number of records changed.
- 13 If you specified **N** in the Verify Changes Record by Record field, the system displays all the records that meet the limits you set, displaying each record in turn.
- 14 If you specified **Y** in the Verify Changes Record by Record field, the system displays information for each record that meets the limits you set, one at a time. The system also displays the current minimum and maximum and what the setting will be after you change it.
- 15 The Change This Record prompt appears. To change the displayed record, press Enter or type **Y**. After changing the displayed record, the system displays the next record that meets the limits you set and repeats the Change This Record prompt. If you do not want to change the displayed record, type **N**.
- 16 The system displays the next record that meets the limits you set and repeats the Change This One prompt.
- 17 When all of the inventory records have been displayed, the Setting of Min/Max Complete prompt appears. To set additional minimums and maximums, press Enter to move to the Item # field.
- 18 To return to the (+) screen, press Esc while the cursor is in the Item # field.

## Bar Codes

To make quick checkout a reality on your retail floor, use bar codes for effective pricing and inventory control.

The following outline provides a checklist for understanding bar codes with the DDMS system.

- Why bar codes?
- What is a bar code?

## Inventory — Count Less, Sell More

- How does the DDMS system use bar codes?
- How do I develop a game plan?
- How do I enter bar codes?
- How do I print bar codes?
- How do I set up the equipment?
- How do I load on-hand quantities with a hand-held scanner?
  - Set up equipment
  - Create inventory files
  - Build an inventory purchase order
  - Release to on-hand.

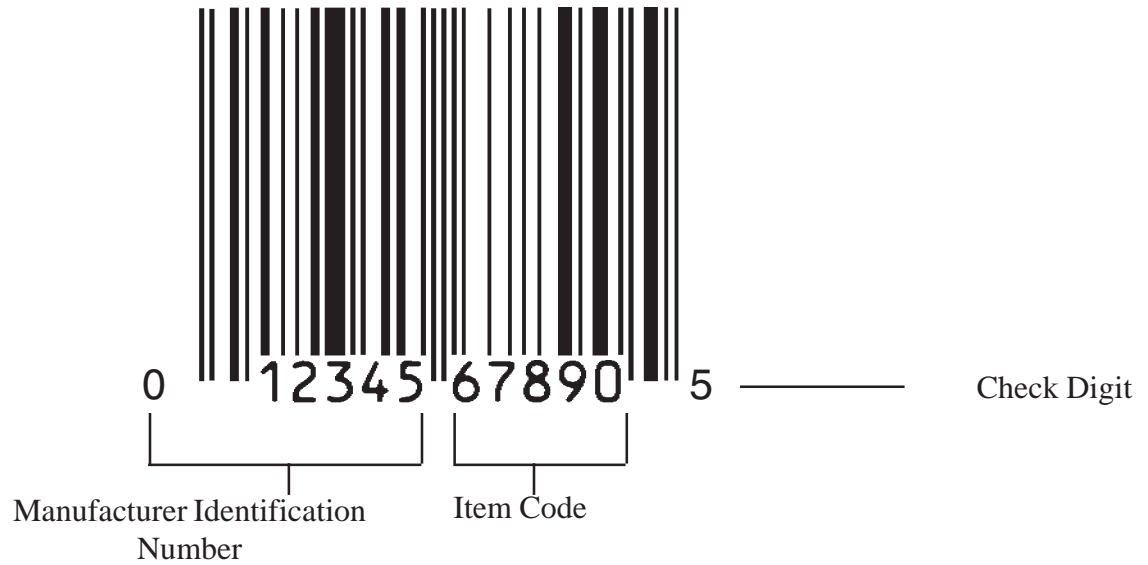
### **Why Bar Codes?**

Bar codes can make your business more efficient in many ways.

- Bar codes improve your checkout speed and accuracy.
- Bar codes allow you to print labels for warehouse cycle counts and inventory counts.
- You can receive items via bar codes in purchasing.

### **What is a Bar Code?**

The UPC Consumer Package Symbol



### The Shipping Container Symbol



The Shipping Container Symbol appears on a manufacturer's middle level of packaging, such as shipping boxes and pallets. These bar codes identify packages that contain a number of identical items. The numbers that identify the individual items are similar to those used for UPCs, and there are additional numbers used to describe how individual items are grouped into larger packages. For more details, see *Supplemental Guidelines for Universal Product Code Information in the Office Products Industry*, published by NOPA.

## How Does the DDMS System Use Bar Codes?

The DDMS system uses bar codes as an alias to reference an item.

## How Do I Develop a Game Plan?

### A. For Items with Bar Codes

- Purchase database from O/PUS that contains bar codes and load it
- Scan items with UPCs and add them as aliases.

### B. For Items without Bar Codes

- Print inventory report that reports top gun or MPC number in the I-MASTER file
- Manually enter bar code numbers for items without printed bar codes, using the top gun or MPC numbers.

## How Do I Enter Bar Codes?

The following is a brief outline of the steps you must perform to enter bar codes.

### A. Entering Bar Codes in the I-ALIAS File

- 1 Go to the (ES) Inventory Alias screen.
- 2 Enter the [S] Scan Codes action code.
- 3 Enter Customer name COMMON.
- 4 Enter Default Product Code [ ].
- 5 Enter 10-digit number.
- 6 Enter Customer Unit [ ].
- 7 Enter Factor (M/D) [ ].
- 8 Enter Factor Amount [ ].

**B. Bar Coding On-the-Fly in POS**

You use this technique to catch items on the retail floor that have not yet been entered in the I-ALIAS file. To do this, you must specify **Y** in the Allow New Bar Codes to the Alias File field in the (LG2) Point-of-Sale Parameters screen.

- 1 Go to the (G) Point-of-sale screen.
- 2 In the Item Number field, scan the bar code label.
- 3 At the **\*\*INVALID BAR CODE\*\*** prompt, enter the correct item number.
- 4 Enter the quantity.
- 5 At the Add Last Bar Code as an Alias for This Item prompt, type **Y** or **N**.
- 6 Enter Factor Amount [ ].

**C. Bar Coding On-the-Fly in Purchasing**

- 1 Go to the (F) Purchase Order Entry screen.
- 2 In the Item Number field, scan the bar code label.
- 3 At the **\*\*INVALID BAR CODE\*\*** prompt, enter the correct item number.
- 4 Enter the quantity.
- 5 At the Add Last Bar Code as an Alias for This Item prompt, type **Y** or **N**.
- 6 Enter Factor Amount [ ].

**How Do I Print Bar Codes?****A. From the I-ALIAS File**

- 1 Go to the (ES) screen.
- 2 Enter [P] Print action code.
- 3 Enter the Customer name COMMON.
- 4 Enter the Label Type [ ]: 1=Product or 2=Retail Shelf.
- 5 Enter the Printer [ ].
- 6 Scan or manually enter the bar code.
- 7 At the Print Bar Code for this Alias prompt, enter **Y** or **N**.
- 8 At the Price to Print on Labels prompt, enter the correct response.

**B. From the (RR) Inventory Reports Screen**

- 1 In the (RR) screen, select the [S] Labels function.
- 2 Select **B** for bar code.
- 3 At the SETS prompt, type **1** for product and **2** for retail shelf.

## Inventory — Count Less, Sell More

- 4 At the Price to Print on Labels prompt, enter List, Wholesaler, Quantity break, or No price.
- 5 Enter the Alignment.
- 6 Enter the Location.
- 7 Enter sorts.
- 8 Enter limits, or leave the limiting fields blank to print all of the labels.

### C. From the RECEIPTS File

- 1 Go to the [TR] Order Entry Reports screen.
- 2 Select the [H] Stock Receipts Report.
- 3 At the Release to On Hand prompt, press Tab.
- 4 At the Labels prompt, type B to select bar codes.
- 5 At the Price to Print on Labels prompt, enter the response.
- 6 Enter the Alignment.
- 7 Enter the Class/To.
- 8 Enter the Location.
- 9 Enter the Printer.

### D. From the (R) Inventory Selectors Screen

- 1 Enter the number that corresponds to the labels to print in the Selector field.
- 2 At the prompt Change All, Printer, or Execute , type A.
- 3 Enter your response to the Change Sorts prompt.
- 4 Enter your response to the Change Limits prompt.
- 5 Press Enter through the prompts for adding detail and header text.
- 6 At the Totals Only prompt, press Tab.
- 7 In the Prt field, specify the printer.

## Chapter 4: Counting Inventory

Inventory counts are much more effective when they are done routinely rather than once a year. You can make your inventory counts more accurate and cost-effective by paying one employee to count inventory a certain number of hours per week instead of paying the entire company overtime for one or two days at the end of the year. Also, if the employee views these tasks as part of his responsibility, he will take pride in them and will be sure inventory counts are done correctly. This ensures that your cycle counts are frequent and consistent.

### Examining the Accuracy of Your Counts

Periodically, you should perform a case study by selecting an item you sell between five and ten times a day. After you have pulled all orders, count the number of that item on the shelf and see if the count matches that of the system. If not, you can find the error by examining the reports to find all transactions containing the item and explain the error to your employees. This will help prevent future mistakes.

### Using Hand-Held Scanners to Count Inventory

The M5000 or M5500 hand-held scanners let you count inventory by scanning the bar codes on items and shelf labels. Using one of these scanners can increase the speed and accuracy of your inventory count by eliminating key strokes. Scanners hold the inventory counts, and you download it into the computer. You can keep this information in a file, then place it on a P/O and run the file through the Short-Buy.

To prepare for a scanner inventory count, create a COMMON alias for every bar code. You do this in the (ES) Inventory Alias screen. Then print bar code shelf labels through the (ES) or (RR) screens.

### Entering On-Hand Amounts from the Physical Count

- 1 Set up an Inventory vendor in the Vendor database.
- 2 Create a purchase order using the Inventory vendor and enter the quantities on the purchase order. Or you can use the short-buy file created by the bar code scanner to create the purchase order.
- 3 Print all inventory purchase orders and check for accuracy.
- 4 Final receive the inventory purchase orders.
- 5 Flush backorders. (This step is optional.)

## Chapter 5: Maintaining Inventory Integrity

Perpetual inventory is the maintenance of the various quantities of any given item at any given time: on-hand, on-order, allocated to orders, and backordered. The system uses the I-AUX file to store information for the Add Item Aux Record dialog box in the Item window. To learn how to maintain perpetual inventory in the DDMS system, you must determine exactly where the system affects the various quantities used to maintain perpetual inventory. This chapter examines prompts in the system that affect the I-AUX files and can cause loss of inventory control. The table in Figure 8 shows how the system updates the information in the I-AUX file.

### Pulling Stock

Order-takers need to rely on the system when pulling stock. When an order-taker pulls inventory, they should only pull what the order says to ship. Additional inventory may be allocated to other orders.

### Issuing Credit Returns

When you issue a credit return in the Order Entry window, the Item Detail tab displays information for the item being returned, including the returned quantity, the disposition of the item (how the returned merchandise is handled), and the reason the item was returned. At this point, you can change default information for the returned item. To change the disposition of the item, click the Disposition box. When the Disposition list box opens, click the down arrow and choose how you want to handle the returned merchandise.

- To return the item to on-hand, click On-Hand. The system reduces the current month-to-date sales and increases on-hand quantities.
- To return the item to the RECEIPTS file, click Receipts. The system adds the quantities to the RECEIPTS file. The information in this file is used when you flush merchandise to customer backorders. When you run a stock receipts report, the system moves remaining amounts to on-hand. The current and YTD sales are reduced.
- To return the item to trash, click Trash. The item cannot be resold. A cash or credit return will be recorded in your sales journal and reflected in your sales figures, but on-hand quantities and the RECEIPTS file are not affected.

<b>Field in the Inventory Usage Record</b>	<b>Increased</b>	<b>Decreased</b>
Hits	When you place an item on a ticket with status 4 or greater	Only when you perform the year-end function in the (EH) screen
Backorder	When you place an item on a ticket with a status of 6 or greater, and there are no on hand quantities	When an item is flushed to a backorder pick ticket
On Order	When you place an item on a purchase order, or, if the ONLY UPDATE I-AUX field in the (LF) screen is set to Y, when you end a purchase order	When you final-receive an item on a purchase order
On Hand	When you release an item to on hand	When you place an item on a ticket of any status  (This field will not display negative numbers.)
Alloc.	When you place an item on a ticket of any status, and there are on hand quantities; or when an item is flushed to a backorder ticket with a status of less than B	When an item prints on an invoice (status B)
Receipts	When you final-receive an item on a purchase order	When you flush an item to a backorder ticket, or when you flush an item to on-hand
Mtd Sold	When an item prints on a status B ticket	When you perform the month-end function in the (EH) screen

Figure 8. How the System Updates the I-AUX File

- To return the item to the vendor, click Vendor. The item is not resold and is returned to the vendor for credit. Like the Trash option, a cash or credit return will be recorded in your sales journal and reflected in your sales figures, but on-hand quantities and the RECEIPTS file are not affected.
- To return the item to an unknown source, click Unknown. This response lets you specify how to handle the item.

---

**Note:** The I-AUX quantities are not affected until the credit return is invoiced (moved to a status B).

---

## Entering Customer Returns

DDMS suggests that all merchandise should be trashed when you enter the credit in the Order Entry or Retail Order Entry window, because some items will be returned to stock and some to the vendor. This way, an inventory specialist decides where the merchandise goes instead of the clerk.

For merchandise that the customer is returning, go to the Order Entry window and select either the Credit Charge or Credit Cash pay code. When you enter the items on the return, the system displays the Disposition box in the Item Detail tab. You can click the down arrow in this box to specify whether you return the item to on-hand, to the Receipts file, to trash, or to the vendor. To remove the possibility for error, we recommend you select the Trash option. This way, all goods *must* go to the customer returns area of your stock room. There, personnel can sort through the merchandise and determine whether it should be returned to stock or the vendor.

## Deleting Items

Deleting items or entire orders that have been completed also requires special attention. If the order is deleted using the Delete action code in the Order Entry window, the system displays the Enter Quantity To Restock prompt. At this prompt, enter the quantity to restock. The on-hand quantity is increased by this amount. In most cases, you should accept the default quantity when restocking, since it's based on the amount deducted from on-hand.

If all of the order quantity was backordered, this prompt appears without a default quantity, and you can enter a new quantity. The system deletes the item, and places the quantity to on-hand. If there were allocated or backordered quantities, these will be reduced.

Changing items works in the same manner as deleting items.

## Transferring Stock

When you transfer stock in the Order Entry window, two locations are affected.

The location number at the top of the Order Entry window dictates which warehouse is to receive the stock. After you answer which warehouse location from which the stock will be pulled, the system displays the To Where O/R prompt.

If you place the quantities in on-hand, the system increases the allocated quantity of the pulling location, and decreases the quantity of on-hand upon completion of the line item. The system will reduce the allocated quantity and increase the receive location on-hand when the order has gone through status B (invoicing).

If you place the quantities in the RECEIPTS file, the system works in the same way as choosing on-hand, except that when the order becomes status B (in-voice), the quantities go to the receiving location's RECEIPTS file instead of on-hand.

DDMS OFFICE SUPPLY			RECEIVED REPORT				02/02/94				
P.O. BOX 507			FOR LOCATION ( )				08:38:30				
KELLER			TX 76248					PAGE 1			
L#	ITEM NUMBER	CO	VENDOR	P/O NBR	REC.	LEFT	INVOICE	PRICE	BINS	UNIT	
1	02713795	INNOV	UNITED	102993	1	1	1717231	5.480	-	EA	
1	07742	DENCTR	DENNISON	DEN0914	144	144		.310	PA6 -R	EA	
1	07888	DENCTR	DENNISON	DEN0914	288	288		.390	PA6 -PA0	EA	
1	08591	PERPRD	PERMA	PER0914	60	60		2.340	BULK-BULK	EA	
1	08888	DENCTR	DENNISON	DEN0914	144	144		.400	PB1 -PA0	EA	
1	10400	LEE PD	UNITED	102993	1	1	1717296	.700	-	EA	
1	14008	IDL	UNITED	102993	1	1	1717166	2.750	-	BX	
1	16020	RANDMC	UNITED	102993	1	1	1717153	5.710	-	EA	
1	24000	DENCTR	DENNISON	DEN0914	144	144		.310	PA7 -BULK	EA	
1	24122	DENCTR	DENNISON	DEN0914	144	144		.230	PB3 -BULK	EA	
1	24424	UNVSL	UNITED	102993	2	2	1717136	27.170	-	EA	
1	25159	AMPAD	UNITED	102993	1	1	1717055	3.000	-	EA	
1	27178	DENCTR	INVENTORY	RESTOCK	144	144		.240	PB7 -BULK	EA	
1	35744	UNVSL	UNITED	102993	2	2	1717334	3.430	-	PK	
1	4003	TOPS	UNITED	102993	5	5	1717201	2.680	6B2 -R	EA	
1	43004	UNVSL	UNITED	102993	1	1	1716782	3.900	-	EA	
1	47200	UNVSL	UNITED	102993	20	20	1716686	.370	-	C	
1	514L	HON	DUMMY-SPAR	RETURNS	1	1		119.500	-	EA	
1	55400	UNVSL	UNITED	102993	5	5	1717182	.530	-	DZ	
1	72620	ACCO	UNITED	102993	1	1	1716930	.720	-	BX	
1	72620	ACCO	UNITED	102993	6	6	1717199	.720	-	BX	
1	73855	HUNT	UNITED	102993	2	2	1716407	1.760	-	EA	
1	75050	MEADPD	UNITED	102993	2	2	1717166	.600	-	BX	
1	8124Z	WINDER	UNITED	102993	250	250	1716548	2.380	PC3 -BULK	EA	
1	94300	RING K	UNITED	102993	1	1	1717065	8.700	-	EA	

Figure 9. A Stock Receipts Report Showing Restocked Items

## Restocking Returned Items

For merchandise that is returned to stock, DDMS recommends that you put these items on an Inventory P/O and physically move them to a "to be restocked" shelf. To do this, go to the Purchase Order Entry window and create a purchase order. When the cursor moves to the Vendor box, type **INVENTORY**.

You may want to assign the P/O containing returned merchandise the number **RESTOCK** so that you can exclude this P/O when flushing backorders. Enter the items to restock on this purchase order. When you receive this purchase order, the system will write the item to the **RECEIPTS** file just like a valid purchase. Also, when you print a Stock Receipts Report in the (TR) Order Entry Reports screen, the word **RESTOCK** will appear in the P/O Number column for this item, as shown in Figure 9. This makes it easy to identify the items in your returns area that need to be restocked.

## Processing Vendor Returns

For merchandise that you will return to the vendor, DDMS recommends that you create a Dummy purchase order for that vendor as your audit trail. To do this, go to the Purchase Order Entry window and create a purchase order. In the Vendor box, type **DUMMY-XXXX** for each vendor (the letters **XXXX** will be replaced by whatever you choose to call the dummy for that vendor). You may want to assign the P/O the number **RETURNS** so that you can exclude it when flushing backorders.

Enter the returned items that will be sent back to the vendor on this purchase order. After entering each item, create special lines showing the vendor's original invoice or packing slip number, purchase date, or cost for this item. If you do not know the invoice or packing slip number for a particular item, you can obtain this information by inquiring on the archived purchase order. Keep a hard copy of this P/O in a file in Accounts Payable so that you receive the correct credit amount from the vendor. Then, you should final-receive the P/O in the Purchase Order Entry window to close your audit trail. The system will not send this item to on-hand, but will use it to flush customer backorders. Therefore, be sure to exclude this P/O number when flushing tickets.

---

**Note:** To determine which items are overstocked and should be returned to the vendor, you can print the Overstock Report through the (RR) screen.

---

## Internal Usage

Usage of stock by the dealer for company operations should not be treated any differently than an order to a customer. Your company's operation will dictate the best way to handle internal usage. DDMS advises you to use order entry for recording stock usage. This way, you can maintain inventory quantities, track dollar usage, and report accurate sales tax of internal usage.

For example, set up a shelf or cabinet outside the stockroom or warehouse that you "sell" to employees. Clerks help themselves to things in this cabinet. Someone is in charge of the cabinet and orders supplies to replenish it. This involves checking the cabinet once a week, then creating an order for the necessary merchandise. When the order is filled, the merchandise is placed in the cabinet.

When creating the order, use a special customer that is just for this purpose. You can use a pay code 0 (no charge) or a pay code 2 (charge) to create the order. Either pay code will track the cost for you (a charged order will actually be posted to A/R).

If you charge internal usage to A/R, you don't need to write a check. Make adjustment "payments" against the account, using the appropriate expense general ledger numbers for the Reverse G/L. This will reduce the A/R and increase the expense accounts.

It takes discipline to record all internal usages. Perpetual inventory of pens and paper clips can quickly deviate from the actual quantities when internal usage management is slack.

## Eliminating Excess Quantities of Slow-Moving or Dead Stock

The first step in economizing your warehouse is to determine which of the stock you carry is slow moving. This information is easily obtained by running a Usage Report with on-hand quantities. The next step is to run an Overstock Report. This report indicates which items it is necessary to liquidate.

When you have determined which items to liquidate, the next step is to determine *how* to eliminate them. Options include:

- Attempt to return the items to the vendor from whom they were purchased
- Organize the sales force and offer an in-house sale
- Distribute small quantities to your retail locations to display
- Donate the items to charity and declare the losses on your taxes.

## Inventory — Count Less, Sell More

After eliminating excessive slow-moving stock, review your usage trends on a periodic basis to avoid accumulating the items again. Compare each year to the previous year (or an equivalent period of time). Use the following formula:

$$(\text{Last Year Usage} - \text{Previous Year Usage} / \text{Last Year Usage}) \times 100$$

The resulting percentage can be used to determine whether to re-evaluate stocking procedures for an item. If the item shows a five percent change, or greater, then the quantities and frequency of purchasing need to be examined. This process can help you prevent slow-moving items from becoming dead stock.

### Preventing Slow-Moving or Dead Stock

Items determined to be dead stock should be assigned a stock class and an alternate code that prevent re-ordering upon depletion. Further, you should establish policies that prevent the accumulation of such stock in the future.

There is no science for predicting which new stock will sell and which will not. Therefore, you should also establish policies for purchasing new items, including the following:

- Insist on a written agreement with the manufacturer regarding a trial period and return policy for new items
- If you purchased new items because your sales staff promised they could sell them, establish a written agreement with them regarding commission paid on these items.

## Chapter 6: Ensite Pro Low-Stock

### About Low-Stock Purchase Orders

You use low-stock purchase orders to replenish stock. You can run low-stock reports through the (RR) screen or through the Purchase Order Entry window. The Low-Stock Report shows suggested order quantities, based on three months' usage or 17 months' usage.

When you run the Low-Stock Report, you can create a low-stock file, which you can use to create purchase orders automatically. You create purchase orders automatically using the Low-Stock action code in the Purchase Order Entry window. You can also use the low-stock file when posting stock transfers.

The Low-Stock Report can calculate the suggested order quantity in two ways: using the sales history of each item and the projected number of weeks between purchases, or using minimum and maximum stock levels. You specify which calculation to use when you print the report. Complete information about low-stock reports is available in the Reports Menu in your Ensite Pro online help.

### About Low-Stock Formulas

When creating low-stock purchase orders, there are several formulas from which you can choose. The following abbreviations are used in these formulas:

**OH** = On-hand

**OO** = On-order

**BO** = Backordered

**CW** = Cycle weeks

**M1, M2, etc.** = Month 1, Month 2, etc.

**LM** = Low month quantities sold

**HM** = High month quantities sold

**MTD** = Month to date

For the purpose of these formulas, Month 1 (M1) is the previous month. Month 2 (M2) is the month before that, and so on. For example, if M1 is May, then M2 is April, and so on. Following this example, M13 would be June of the previous year.

**Min/Max Low-Stock Formula: (If OH is at or below minimum)**

Max - OH = Need

Need - OO - OH + BO = Order Quantity

**The 3-Month Weighted formula is:**

$((M1 \times 2) + M2 + M3) / 17 = \text{Weekly Need}$

Weekly Need x CW = Need

Need - OO - OH + BO = Order Quantity

**The 3-Month Weighted + MTD formula is:**

$(MTD + M1 + M2 + M3) / (13 + \text{Week \# of Current Month}) = \text{Weekly Need}$

Weekly Need x CW = Need

Need - OO - OH + BO = Order Quantity

**The 13-Month Weighted formula is:**

$((M1 + M2 + \dots + M13) - (LM + HM)) / 11 = \text{Monthly Need}$

Monthly Need / 4 = Weekly Need

(Weekly Need x CW) = Need

Need - OO - OH + BO = Order Quantity

## Creating a Low-Stock Purchase Order



1 Double-click  to open the Purchase Order Entry window.

2 In the Action Code list box, click Low-Stock.

3 The Select Custom Low-Stock Settings dialog box opens. You can select a custom low-stock setting or create a new one.

To open an existing setting, select it from the drop down list, then click Select.

To build a new setting, click Cancel and go to **Step 4**.

4 The Low-Stock Limits dialog box opens, as shown in Figure 10. You can limit the items that appear in the Low-Stock Items dialog box. You can also specify the location(s) to include and the settings to use.

---

**Note:** In the Low-Stock Limits dialog box, you can change the settings you specified in **Step 3**. Click , then from the Profile drop down list, click a low-stock setting. Then, click Select.

---

To set low-stock limits in the Low-Stock Limits dialog box:

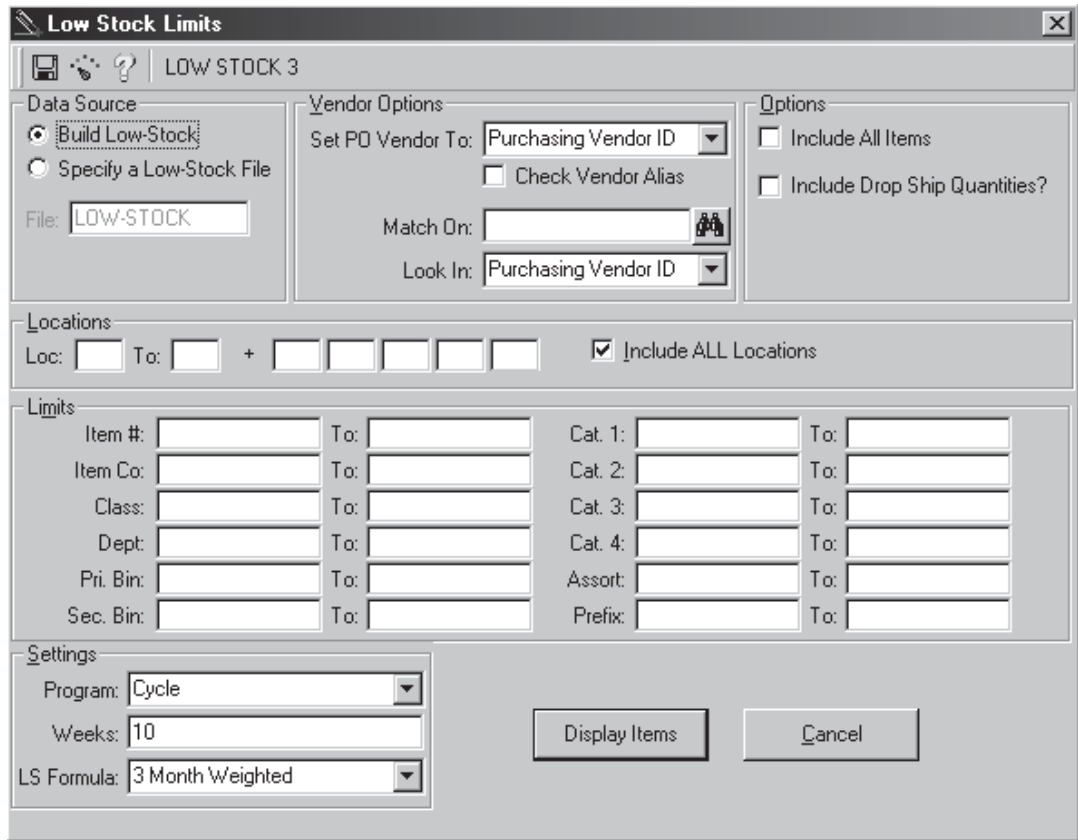
- 4.1 You can build a new low-stock file or use an existing file. In the Data Source section, click:
  - Build Low-Stock to build a new file.
  - Specify a Low-Stock File to use an existing file. Enter the file name in the File box.

---


**Note:** The items that are found are appended to the low-stock file, if a low-stock file has already been created.

---

- 4.2 Use the Set PO Vendor To box to select the place from which to pull the Vendor ID that belongs to the items to be purchased, such as Direct Buy. The vendor's ID displays in a grid once the limits have been set. It is important to indicate in the Low-Stock Limits dialog box from which vendor to purchase.
- 4.3 Check the Check Vendor Alias check box to automatically check for an alias for this vendor. Clear the box to ignore the vendor alias.



**Figure 10: The Low-Stock Limits Dialog Box**

- 4.4 Use the Match On box to limit the items to be purchased to only those tied to a certain vendor ID. This specifies the actual value of that vendor ID box. Click  to use the Vendor Query dialog box to search for the vendor.
- 4.5 Use the Look In box to specify where in the item record to search, for example, wholesaler, direct buy, item company, or program ID. The Look In list box works with the Match On list box.
- 4.6 Use the Include All Items check box to indicate which items to include. Check this box to retrieve items with sales history and/or min/max quantities. This includes items with activity, even if they don't need to be ordered. Clear this box to save information only for those items that need to be ordered.
- 4.7 Check the Include Drop Ship Quantities checkbox to include drop ship quantities. Clear this check box to exclude them.
- 4.8 Use the Loc/To/+ boxes to specify the inventory locations to include. To specify a range, enter the beginning location in the Loc box. Enter the end of the range in the To box. To specify non-consecutive locations, enter them in the + boxes. These can be in place of or in addition to the range specified in the Loc and To boxes.
- 4.9 The Limits boxes let you set limits for placing items on a purchase order. To specify a range, enter the beginning limit in the first box. For example, to limit by a range of item numbers, enter the beginning item number in the Item # box. Enter the range's ending number in the To box. Only items within this range are included in the low-stock file. If you do not specify a range, all items are included.

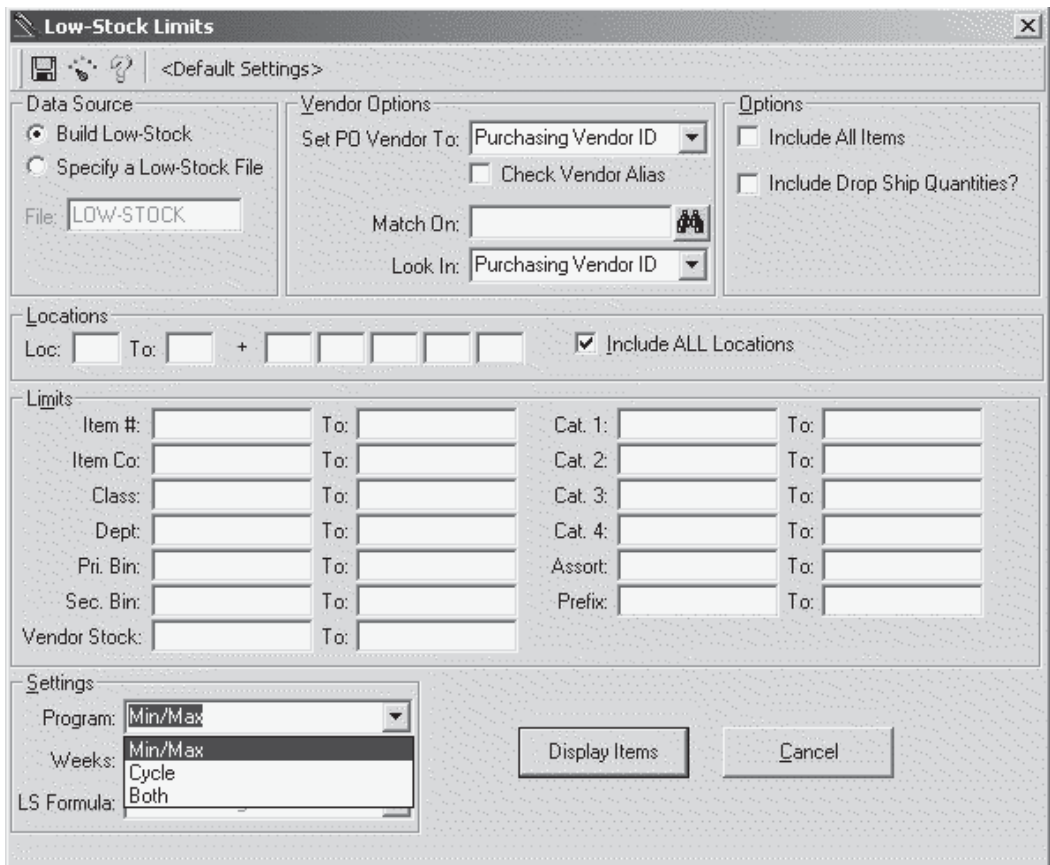
You can limit by:

- Item #/To
- Item Co/To
- Class/To
- Dept/To
- Pri Bin/To
- Sec Bin/To
- Vendor Stock/To

- Cat 1/To
- Cat 2/To
- Cat 3/To
- Cat 4/To
- Assort/To
- Prefix/To

**4.10** Use the Program drop down list to select the program to maintain order quantities. See Figure 11.

- Min/Max uses a minimum and maximum number of items. Min is the least stock that you want on the shelves. Max is the most stock that you ever want on the shelf. The on-hand, on-order, and backordered quantities are compared to determine if your stock level will equal or fall below your minimum.



**Figure 11: The Program Drop Down List Box**

- Cycle suggests an order amount for each inventory item based on sales history and cycle weeks (the length of time between purchase orders). This report bases suggested order quantities on the sales history of an item and the projected number of weeks between orders (cycle).

To calculate a suggested order quantity to meet future sales, the system uses a formula that uses the past three months' sales. Month-to-date sales are not used. The formula weights the most recent month and takes into account quantities currently on-order, on-hand, and backordered. The number of weeks in your order cycle must be specified. The default number of cycle weeks is 10.

---

**Note:** The order amount is rounded up to one decimal point. Because of this, you may have extra quantities on the report.

---

- The Both option uses both of these methods.

5 After you complete the boxes and set limits, click Display Items.

---

**Note:** While the system is searching for items, you can minimize the window and work in another window. At any time during the search, you can stop it by clicking Abort in the Retrieving Low-Stock Records dialog box.

---

6 The Low-Stock Items dialog box opens. This box displays all the items corresponding to the limits set in the Low-Stock Limits dialog box. For more information, see **Using the Low-Stock Items Dialog Box**.

---

**Note:** All items must be assigned a vendor before creating the purchase order. To learn more, see your Ensite Pro online help.

---

7 When you finish, click  to create the purchase order.

8 The All Low-Stock Items Have Been Added message displays. You can add more items to the purchase order or click Show Totals to complete the process. If you click Show Totals, go to **Step 9**.

To add more items, click Add Additional Items. The Item Detail tab opens. Add as many new items as you want. For more information, see Placing Items on the Purchase Order. When you finish, click the Order Totals tab.

9 The Order Totals tab opens. End the order as you normally would.

10 If you had more than one vendor on the purchase order, repeat steps 8-9 for each vendor.

- 11 When all low-stock purchase orders are created, the All Low-Stock POs Have Been Created message displays. Click OK. The cursor returns to the Name box in the Global tab.

## Using the Low-Stock Items Dialog Box

The Low-Stock Items dialog box lets you easily view all the items, vendors, and cost on the purchase order. See Figure 12.

The items for each vendor and vendor location are grouped together so you don't have to search for a vendor or item. The total cost, total weight and minimum freight and minimum order of all the items with that vendor are displayed on a yellow line.

You can:


- Remove items
- Change vendors
- Save data
- Change the layout
- Limit by vendor

**Figure 12: The Low-Stock Items Dialog Box**

Vendor	Item #	Co.	Need	Order Up	B.UOM	Carton UOM	Cost	Ext. Cost	W
<b>{Unassigned}</b>									
<b>Loc: {Unassigne 1}</b>									
{Unassigned}	6GD	XER		2		EA	0.000	0.000	
{Unassigned}	F2100	MIT		1		EA	0.000	0.000	
<b>OHENRY</b>									
<b>Loc: OHENRY 1</b>									
OHENRY	47200	MEA		1	EA	1 EA	2.597	2.597	
OHENRY	P45410	SOU	1	1	BX	1 BX	5.299	5.299	
<b>SPARCO</b>									
<b>Loc: SPARCO 1</b>									
SPARCO	1	MER	1	1	EA	1 EA	80.630	80.630	
SPARCO	36A61	TOS		10	EA	1 BX	906.100	9,061.000	4
SPARCO	60603	SPR		1	EA	1 EA	0.440	0.440	
<b>UNITED</b>									
<b>Loc: UNITED 1</b>									
UNITED	00123	PMC		4	CT	1 CT	40.210	160.840	
UNITED	1220	GPC		1	EA	1 EA	01.200	01.200	


- Limit by vendor location
- Compare pricing.

### Removing Items

- 1 Click the item to remove. You can select a range of items by pressing Shift as you click the first and last items. To select non-sequential items, press Ctrl as you click the items to include.
- 2 Click , or right-click and select Remove Item.
- 3 In the Confirm Item Removal box, click Yes.

### Changing Vendors

You can easily assign a different vendor to an item. This is also how you assign a vendor to an item with an unassigned vendor.

- 1 In the Low-Stock Items dialog box, highlight an item and click . Or you can right-click the item and select Change Vendor.
- 2 The Vendor Query dialog box opens. Select a vendor. Click OK.
- 3 Repeat these steps for each vendor to change.

### Saving Data

You can save the data that appears in the Low-Stock Items dialog box. To save your data:

- 1 Click .
- 2 The Create Low-Stock Type File dialog box opens. Enter a file name and click OK.

### Changing the Columns

The Low-Stock Item dialog box is divided into two panes. The left pane contains the Vendor, Item#, and Co columns. These columns are fixed.

The right pane contains the Need, Order, Cost, Ext Cost, Weight, Ext Weight and Description columns, along with several others. In the right pane, you can add and remove columns, rearrange the columns or reorder the information in the columns.

To change the order in which the columns appear, you can drag-and-drop the columns, or use the Select Fields dialog box. You cannot move columns from one pane to the other.


To drag-and-drop columns, click the column name. Without releasing your mouse button, drag it to the new location. When it is in the proper position, release the mouse button.

---

**Note:** You cannot add or remove columns using the drag-and-drop method.

---

To use the Select Fields dialog box:

- 1 Click . The Select Fields dialog box opens. See Figure 13.
- 2 To add a column, click the column name in the Available Fields box. Click Add. The column name is added to the bottom of the Show These Fields In This Order box.

To remove a column, click the column name in the Show These Fields In This Order box. Click Remove. The column name is added to the bottom of the Available Fields box.

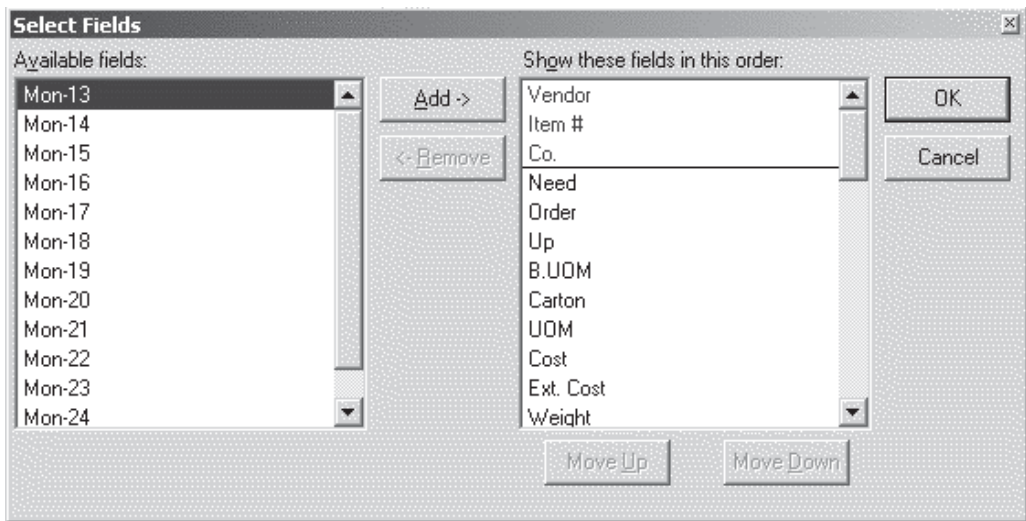
You can also drag column names between boxes to add or remove them.

---

**Note:** The Show These Fields In This Order box is divided. The upper section shows the columns from the left pane. These columns cannot be rearranged, added to or deleted. The lower section shows the columns from the right pane. These columns are flexible and can be rearranged, added to or deleted.

---

**Figure 13: The Select Fields Dialog Box**



- 3 To rearrange the columns, click the column name in the Show These Fields In This Order box. Use the Move Up and Move Down buttons. You can arrange the columns in any order. You cannot drag column names to rearrange their position in the Show These Fields In This Order box.

You can also change the order of the items within a column. For example, to view item numbers in numerical order from smallest to greatest, click the item box at the top of the dialog box. The window updates immediately to display the item numbers in numerical order. To return the item numbers to the original order, click the box again. You can do this for all the columns in this dialog box. For example, if you switch the Description box order, the items are reordered so the descriptions are in alphabetical order.


---

**Note:** Although the columns in the left pane cannot be rearranged, you can reorder the information in these columns.

---

## Changing the Grid

You control how much information appears in the grid.

Click  to toggle between the streamlined and detailed views.

- The detailed view shows each line item on the P/O, grouped by vendor. See Figure 14. It includes the order quantity for each item, regardless of location. For example, suppose you are ordering 10 of Item #223 from a vendor's Location 1 and 25 of Item #223 from the same vendor's Location 2. The detailed view shows that you are ordering 35 of Item #223 from United.
- The streamlined view shows cost and weight subtotal information for each vendor's location. It shows the extended cost and weight for the location. It also shows the items you are ordering from that location.

Click  to explode or collapse the grid.

- The collapsed view shows each vendor, each vendor location, the extended cost and extended weight subtotals, plus the vendor's minimum requirements.
- The exploded grid shows the information from the collapsed view, plus each line item's detail. The subtotals display by location.

### Limiting by Vendor

- 1 Click the down arrow in the Vendor box.
- 2 From the drop down list, click the vendor to view. You can select a specific vendor, or all vendors.
- 3 The vendor(s) you selected appears. The Records box shows you how many items meet your limits.

### Limiting by Vendor Location


- 1 Click the down arrow in the Vendor box.
- 2 From the drop down list, click the vendor to view. You can select a specific vendor, or all vendors.
- 3 In the Loc box, select the vendor location to view. You can select any location with items, or all locations with items.
- 4 The Records box shows you how many items meet your limits.

**Figure 14: The Detailed View of the Low-Stock Items Dialog Box**

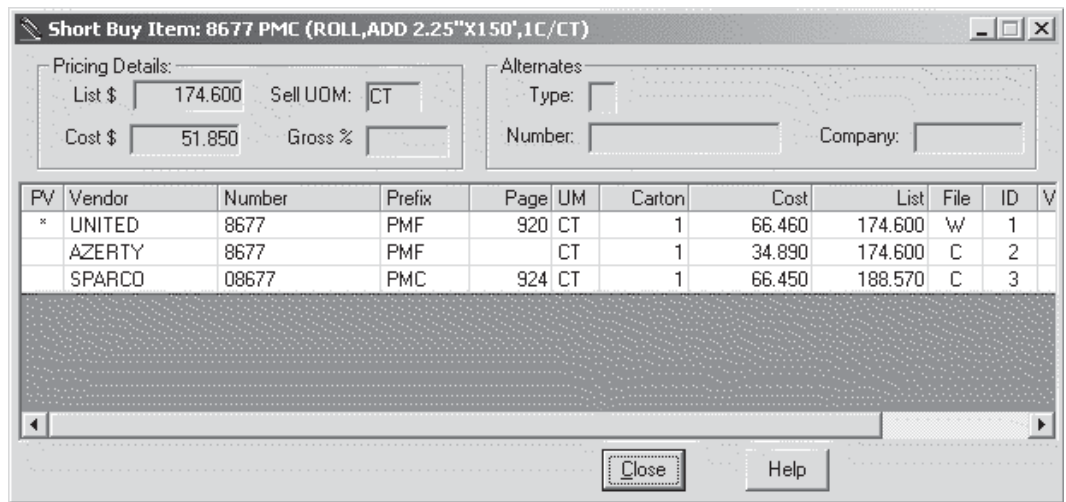
Vendor	Item #	Co.	Need	Order Up	B.UOM	Carton	UOM	Cost	Ext. Cost	Weight
<b>Vendor: EXPRESS</b>									<b>\$0.000</b>	
+ Item:	6GD	XER		Total: 2						
+ Item:	F2100	MIT		Total: 1						
<b>Vendor: OHENRY</b>									<b>\$7.896</b>	
+ Item:	47200	MEA		Total: 1						
+ Item:	P45410	SOU		Total: 1						
<b>Vendor: SPARCO</b>									<b>\$9142.070</b>	
+ Item:	1	MER		Total: 1						
+ Item:	36A61	TOS		Total: 10						
+ Item:	60603	SPR		Total: 1						
<b>Vendor: UNITED</b>									<b>\$1944.700</b>	
+ Item:	00123	PMC		Total: 4						
+ Item:	333	HOD		Total: 1						
+ Item:	365	GBC		Total: 1						
+ Item:	1230	GBC		Total: 1						
+ Item:	1266	TOP		Total: 1						
+ Item:	26000	UDC		Total: 2						

Vendor: <All Vendors> Loc: 1 Records: 15  Combine Locations on P/O

### Comparing Pricing

- 1 In the Low-Stock Items dialog box, select an item.
- 2 Click . The Item Vendor Comparison dialog box opens, displaying pricing details and alternates for the item you selected. See Figure 15.
- 3 When you finish, close the dialog box.

**Figure 15: The Item Vendor Comparison Dialog Box**



# Chapter 7: Reports to Assist in Inventory Control

Several reports affect inventory control. Use them to track item movement and decide which items to stock. You can print:

- Items Sold Restock report
- Exceptions report
- Receipts report
- Usage report
- Overstock report
- Inventory Extended Dollars report
- Sales Recap by Manufacturer's Cost or Actual Cost report.

## Using the Items Sold Restock Report

The Items Sold Restock Report, which you print through the (U) Sales Selectors screen, is an excellent way to get started because it does not require inventory, on-hand, or Min/Max levels. It is very simplistic; it recommends that you buy the same amount that you sold. However, unless you limit the report to specific stock classes, you may replace items that you do not normally keep in stock. You may also reorder inappropriate quantities because a backorder ticket was included on the report. When you print the report, you indicate the time period to include, since the report prints from archived customer orders.

D.D.M.S. DOCUMENTATION DEPT 1655 TIMBER RIDGE LANE KELLER TX 76262			ITEM SOLD RESTOCK REPORT				03/25/94 12:08:28 PAGE 1	
ITEM NUMBER	CO.	DESCRIPTION	C UN QTY	EXT COST	EXT SELL	VENDOR	FREQ	
000001	PAU	A PRODUCT	Z 2	113.00	21.60		2	
000002	PAU	A PRODUCT2	Z 3	75.00	.00		1	
001		TELEPHONE	Z 1	3.00	15.00		1	
00513079		STATIONERY SUPPLIES	Z 1	.00	.00		1	
011527	DAD	LEATHER DESK ACCESSORY	L EA 5	52.50	91.00	UNITED	2	
052664	DAV	GROOVY PENS	X DZ 2	24.00	43.20	UNITED	2	
1		TEST	Z 2	.00	20.00		1	
10013	AUTOPT	ITEM DESCRIPTION.....	Z EA 7	49.00	94.50	WHL VENDOR	6	
1010	WILSON	SHEET, 10COL, 9.25X11.88, WE	Q C 12	148.08	264.00	UNITED	1	
101010	SMD	1" FILE FOLDER	Z EA 16	3.60	8.88	UNITED	3	
102232	MOM	BLACK LEATHER BRIEFCASE	Z EA 11	329.45	482.02		4	
TOTAL COST FOR REPORT : \$ 797.63				TOTAL SELLING FOR REPORT : \$ 1,040.20				

Figure 16. A Restock Report

## Inventory — Count Less, Sell More

This report shows items sold for the month, and includes the following information for each item:

- Item number and company
- Item description and stock class
- Unit of measure and quantity sold
- Extended selling price
- Hits and vendor.

A sample of this report is shown in Figure 16.

## Using the Exceptions Report

This report lists every change made to your tickets in order entry. This report is a valuable part of your audit trail, and can be a useful management tool. If you have problems after changing or deleting tickets, you may be able to determine what happened by examining this report.

The Exceptions Report includes information for each exception that meets the limits you set. Each line of the report will display the invoice number, followed by the order-taker. The next two columns show the customer and item keys (the customer key is the customer's account number; the item key is the item number and company). Each line also includes when the exception occurred, and a message describing the exception. An important field in this report is Quantities Changed exceptions, which indicates that the backordered or shipped amounts were changed. The number of Quantities Changed exceptions should be minimal.

An example of the Exceptions Report is shown in Figure 17.

DDMS OFFICE SUPPLY		ORDER ENTRY EXCEPTIONS				02/02/94	
P.O. BOX 507						09:18:34	
KELLER		TX 76248		LOCATION ( )		PAGE 1	
INVOICE #	O.T.	CUSTOMER KEY	ITEM KEY		DATE	TIME	EXCEPTION MESSAGE
1800013-0	101	267188	7660	MMM C	02/01/94	14:30:16	
1800012-0	101	283372	DG206	SL-WAB	02/01/94	14:29:22	
C1800008-0	101	481585	33111	PAPMTE	02/01/94	09:54:14	
1800010-0	101	960885	4255	AVERY	02/01/94	14:27:52	
1800010-0	101	960885	4255	AVERY	02/01/94	14:28:17	
1800009-0	101	638414	3452	FISKAR	02/01/94	14:27:16	
1800012-0	101	283372	DG206	SL-WAB	02/01/94	14:29:22	
1800013-0	101	267188	SF11SA	SMEAD	02/01/94	14:30:28	
1800013-0	101	267188	7660	MMM C	02/01/94	14:30:16	
1800010-0	101	960885	4255	AVERY	02/01/94	14:28:10	
1800010-0	101	960885	4255	AVERY	02/01/94	14:28:11	
1800014-0	101	262360700	550	QUART	02/01/94	14:31:02	

Figure 17. An Exceptions Report

## Using the Receipts Report

The Receipts Report lists the items in the RECEIPTS file. If you print this report immediately after you flush backorders, it will show you what will be released to update on-hand quantities. This report will display the item's inventory location number, item number, company, and vendor. The next columns are P/O number, quantity amount received, and quantity amount left in the RECEIPTS file after flushing. Finally, the report prints the invoice number, unit price, bin location, and unit of measure. An example of the Receipts Report is shown in Figure 18. You can also use this report to see your allocated quantities.

DDMS OFFICE SUPPLY			RECEIVED REPORT				02/02/94			
P.O. BOX 507			FOR LOCATION ( )				08:38:30			
KELLER			TX 76248				PAGE 1			
L#	ITEM NUMBER	CO	VENDOR	P/O NBR	REC.	LEFT	INVOICE	PRICE	BINS	UNIT
1	02713795	INNOV	UNITED	102993	1	1	1717231	5.480	-	EA
1	07742	DENCTR	DENNISON	DEN0914	144	144		.310	PA6 -R	EA
1	07888	DENCTR	DENNISON	DEN0914	288	288		.390	PA6 -PA0	EA
1	08591	PERPRD	PERMA	PER0914	60	60		2.340	BULK-BULK	EA
1	08888	DENCTR	DENNISON	DEN0914	144	144		.400	PB1 -PA0	EA
1	10400	LEE PD	UNITED	102993	1	1	1717296	.700	-	EA
1	14008	IDL	UNITED	102993	1	1	1717166	2.750	-	BX
1	16020	RANDMC	UNITED	102993	1	1	1717153	5.710	-	EA
1	24000	DENCTR	DENNISON	DEN0914	144	144		.310	PA7 -BULK	EA
1	24122	DENCTR	DENNISON	DEN0914	144	144		.230	PB3 -BULK	EA
1	24424	UNVSL	UNITED	102993	2	2	1717136	27.170	-	EA
1	25159	AMPAD	UNITED	102993	1	1	1717055	3.000	-	EA
1	27178	DENCTR	DENNISON	DEN0914	144	144		.240	PB7 -BULK	EA
1	35744	UNVSL	UNITED	102993	2	2	1717334	3.430	-	PK
1	4003	TOPS	UNITED	102993	5	5	1717201	2.680	6B2 -R	EA
1	43004	UNVSL	UNITED	102993	1	1	1716782	3.900	-	EA
1	47200	UNVSL	UNITED	102993	20	20	1716686	.370	-	C
1	514L	HON	DUMMY-SPAR	RETURNS	1	1	RETURNS	119.500	-	EA
1	55400	UNVSL	UNITED	102993	5	5	1717182	.530	-	DZ
1	72620	ACCO	UNITED	102993	1	1	1716930	.720	-	BX
1	72620	ACCO	UNITED	102993	6	6	1717199	.720	-	BX
1	73855	HUNT	UNITED	102993	2	2	1716407	1.760	-	EA
1	75050	MEADPD	UNITED	102993	2	2	1717166	.600	-	BX
1	8124Z	WINDER	UNITED	102993	250	250	1716548	2.380	PC3 -BULK	EA
1	94300	RING K	UNITED	102993	1	1	1717065	8.700	-	EA

Figure 18. A Receipts Report

## Using the Usage Report

The Usage Report gives a detailed sales history for each item. You can use it to help determine which items you should stock and which items you should stop stocking. This report can also list items that have not sold. An example is shown in Figure 19.

This report contains the following information:

- Item number
- Company
- Description
- Selling unit of measure
- Buying unit of measure
- Wholesaler's cost of the item
- Last year's sales of this item

DDMS OFFICE SUPPLY		STOCK USAGE REPORT										01/31/94
PO BOX 507		FOR ALL STOCK										16:12:13
KELLER TX 76248		FOR LOCATION ( 1 )										PAGE 1
SORT BY ( M ) BREAK ( N )												
ITEM NUMBER	COLOR	DESCRIPTION	UNIT	CART	COST	L-YEAR	Y-T-D	MON-2	MON-1	M-T-D	ON-HAND	ON-ORD
21200	UNVSL	PAPER, XERO/DUP, WE	CT	1	22.170	3839	10406	960	1112	769	317	
9DFT	STAR	COMP PAPER 9.5X11	CS			975	1939	190	197	149	12	
4420	STAR	COMP PAPER 147/8X	CS			744	1194	142	178	76	10	
24200	UNVSL	PAPER, XERO/DUP, WE	CT	1	28.190	256	709	63	84	64	4	
12881	MMM C	DISKETTE, DS-HD, 3.	BX	1	11.240	519	1227	24	81	77	81	60
PI-92295A	HEW-IS	TONER, CART, LASERJ	EA	1	75.080	493	401	52	38	39	14	
10032	NAS	FAX PAPER 8.5 X 3	CT			701	406	71	69			
9400	STAR	COMP PAPER 9.5X11	CS			586	971	84	151	53	26	
STAMP	IDEAL	SELF INKING, 1-3 L	EA			829	776	98	38	64	8	
EPS	STA	CARTRIDGE, LASER R	EA			375	425	45	41	46	11	

Figure 19. A Usage Report

## Inventory — Count Less, Sell More

- Year-to-date sales of this item
- Sales for each of the last three months
- Month-to-date sales
- On-hand quantity
- On-order quantity
- Last date this item was sold.

A column called L-PURCH will appear on the report; this is reserved for future use.

## Using the Overstock Report

The Overstock Report indicates which items you may have overstocked, based on sales quantities and on-hand accounts. These reports are an important tool for replenishing stock items. It shows what items you should return to your vendors, based on sales quantities and on-hand amounts.

These reports are sorted by the item number and company, and contain the following information:

- Item number, company, and description
- Selling and buying unit of measure
- Average cost of the item
- Last year's sales of this item
- Year-to-date sales of this item
- Sales from two and three months ago
- Sales from last month

D.D.M.S. DOCUMENTATION DEPT			OVER STOCK REPORT							03/24/94					
1655 TIMBER RIDGE LANE			(10) WEEK CYCLE							09:47:16					
KELLER TX 76262			FOR LOCATION ( )							PAGE 1					
ITEM NUMBER	CO.	DESCRIPTION	UNITS	COST	L-YEAR	Y-T-D	MON-3	MON-2	MONTH	HITS	NEED	O-ORD	O-HAN	BACKO	OVER
000006	JCT	RING, SPLIT	12QTCT	2.565					10	1		24	24	2	46
011527	DAD	LEATHER DESK AC	1EAEA	10.500		21			2	20		19	35	15	39
1200	MICOMP	MODULE, MICRO MG	1EAEA	80.519		40			17	28		15		2	13
12100	UNVSL	COVER, NSD, 16.5X	1EAEA	63.360		13			1	3		3			3
12345-D3	ALDUS	PAGEMEKER /DOS		150.000		4			4	3		2	3	1	4
13100	UNVSL	COVER, SND, 23.5X	1EAEA	120.960		1			1	11			24	5	19
TOTAL OF ALL STOCK RECORDS = 6 DOLLARS = 4662.557 WEIGHT = .000															

Figure 20. An Overstock Report

## Inventory — Count Less, Sell More

- Month-to-date sales
- Hits (number of times the item has been sold)
- Quantity needed, which is the projected sales quantity
- On-order, on-hand, and backordered quantities
- Suggested order quantity on the Low-Stock Report, or overstock quantity on the Overstock Report
- Total dollar amount and total weight.

An example of the Overstock Report is shown in Figure 20.

## Using the Inventory Extended Dollars Report

The Inventory Extended Dollars Report shows you how much money you have invested in inventory. It shows the value of the merchandise you have on-hand, as well as how much you can anticipate paying for items on order. If you print this report periodically and limit it to non-stocked items, it will show you how much you have invested in inventory that should become a possible stocked item.

The default sorts for this report are item number and company. The report contains the following information:

- Item number
- Company
- Description
- Selling unit of measure
- Base price for the selling unit of measure

DDMS OFFICE SUPPLY		INVENTORY EXTENDED DOLLARS				02/02/94								
1655 TIMBER RIDGE						09:24:25								
P.O. BOX 507						PAGE 1								
KELLER TX 76248														
DEPT 8 ITEMS ONLY														
L#	ITEM NUMBER	CO.	DESCRIPTION	UN	UNIT	BASE	ON	ORDER	ON	HAND	BACK	ORDER	AL	LOCATED
=====														
1	00011		FEL BOX,STOR,12 X 10.25	EA		4.010			.00		.00		.00	.00
1	00012		FEL BOX,STOR,15 X 10.25	EA		4.490			.00		.00		.00	.00
1	00025		FEL BOX,STOR,12 X 10.25	EA		5.540			.00		.00		.00	.00
1	00191		PER FILE,STOR,LTR SZ	EA		3.340			.00	57	190.38		.00	.00
1	00192		PER FILE,STOR,LGL SZ	EA		3.750			.00	48	180.00		.00	.00
1	00351		FEL FILE,STOR,DWR,12.5X1	EA		11.520			.00		.00		.00	.00
1	00512		FEL FILE,STOR,DWR,15 X 1	EA		13.950			.00		.00		.00	.00
1	00703		FEL FILE,STOR,ECON,LTR/L	EA		1.150			.00		.00		.00	.00
1	00704		FEL FILE,STORAGE,12X11	EA		2.930			.00		.00		.00	.00
1	00705		FEL FILE,STORAGE,15X11	EA		3.480			.00		.00		.00	.00
1	00706		FEL FILE,STORAGE,9X4	EA		2.310			.00		.00		.00	.00
1	00764		FEL COPYHOLDER,7 X 9.5,B	EA		5.970			.00		.00		.00	.00
1	00884		PER BNDR,PERMA,FBRBD,8.5	EA		4.990			.00		.00		.00	.00
1	01215		PER FILE,STOR,LTR/LGL,WE	EA		2.090			.00		.00		.00	.00
1	01325		PER FILE,MAG,LETTER,SIZE	EA		.863			.00	10	8.63		.00	.00
1	01327		PER FILE,MAG,LEGAL,SIZE	EA		1.050			.00		.00		.00	.00
1	03312		PER FILE,STOR,LTR SZ	EA		1.630			.00	23	37.49		.00	.00
1	03315		PER FILE,STOR,LGL SZ	EA		2.180			.00	24	52.32		.00	.00
1	03325		PER FILE,STOR,LTR/LGL SZ	EA		1.290			.00		.00		.00	.00
1	03329		PER BOX,STOR CHK	EA		2.001			.00	32	64.03		.00	.00
1	04191		PER FILE,STOR,DWR,LTR SZ	EA		5.230			.00	43	224.89		.00	.00
1	04192		PER FILE,STOR,DWR,LGL SZ	EA		6.170			.00	32	197.44		.00	.00
1	05010		PER FILE,STOR,LTR/LGL,WG	EA		1.650			.00	51	84.15		.00	.00
1	05126		PER FILE,STOR,SIDETAB,LT	EA		2.290			.00	43	98.47		.00	.00
1	08114		PER BNDR,PERMA,FBRBD,LTR	EA		4.990			.00		.00		.00	.00
TOTAL FOR REPORT:		RECORDS =	25	IN HOUSE \$					.00		1137.80		.00	.00

Figure 21. An Extended Dollars Report Limited to Non-Stock Items

Inventory — Count Less, Sell More

- On-hand quantity and dollar value
- Backordered quantity and dollar value
- On-order quantity and dollar value
- Allocated quantity and dollar value
- Total in-house inventory value for each department and for the entire report
- Total values for on-hand, backordered, on-order, and allocated quantities.

An example of the Inventory Extended Dollars Report is shown in Figure 21.

## Using The Sales Recap by Manufacturer's Cost or Actual Cost

The Sales Analysis Recap Report summarizes sales information on salespersons and order-takers for a specific month. You can sort the report by manufacturer's cost or actual cost to show your gross margins by inventory

DDMS OFFICE SUPPLY		SALES RECAP BY SALESMAN						03/24/94	
P. O. BOS 507		FOR DATES ( - )						12:00:44	
KELLER TX 76248		FOR LOCATION (ALL) Y=M						PAGE 1	
SALESMAN ( 1- 10)									
NBR	S A L E S M A N	N A M E	LINES	SALES	MARGIN	MARG%	YTD		
1	MARTHA		7	202.18	23.55	11.6	28.1%		
4	MELINDA		9	107.79	37.24	34.5	32.7%		
6	MIKE		39	898.08	301.79	33.6	30.2%		
7	MATT		7	176.26	71.87	40.8	25.7%		
8	CAROL		8	597.88	182.39	30.5	27.8%		
TOTAL SALES			70	1,982.19	616.84	31.1			

DDMS OFFICE SUPPLY		SALES RECAP BY SALESMAN										03/24/94		
P. O. BOS 507		FOR DATES ( - )										12:00:44		
KELLER TX 76248		FOR LOCATION (ALL) Y=M										PAGE 2		
SALESMAN ( 1- 10)														
FOR LOCATION ( 1 )		DEPT 1	DEPT 2	DEPT 3	DEPT 4	DEPT 5	DEPT 6	DEPT 7	DEPT 8	DEPT 9	DEPT 10	TOTAL		
SALES		1842.64	.00	46.80	.00	.00	62.85	27.95	.00	1.95	.00	1982.19		
MARGIN		570.28	.00	15.99	.00	.00	21.66	8.41	.00	.50	.00	616.84		

Figure 22. A Sales Recap Report Based on Manufacturer's Cost

department, based on the manufacturer's cost or the actual cost. Figure 22 shows a sample report with the manufacturer's cost, and Figure 23 shows a sample report with the actual cost. You can compare these reports to see the difference between the margin you actually made and the margin you would have made if all goods had been in stock.

This report includes the salesman numbers and names that you want to print. For each salesperson, the report also includes:

- Number of lines
- Dollar amount of the month's sales
- Total sales margin dollar amount
- Gross profit margin percentage
- Year-to-date gross profit margin percentage.

The second page of the report lists total sales, margin, and gross profit percentage for each department, and the total sales, margin, and gross profit percentage for all the departments.

DDMS OFFICE SUPPLY		SALES RECAP BY SALESMAN									
P. O. BOS 507		FOR DATES ( - )						03/24/94			
KELLER TX 76248		FOR LOCATION (ALL) Y=A						12:00:44			
SALESMAN ( 1- 10)								PAGE 1			
NBR	S A L E S M A N	N A M E	LINES	SALES	MARGIN	MARG%	YTD				
1	MARTHA		7	202.18	26.96	13.3	28.1%				
4	MELINDA		9	107.79	40.90	37.9	32.7%				
6	MIKE		39	898.08	301.79	33.6	30.2%				
7	MATT		7	176.26	68.28	38.7	25.7%				
8	CAROL		8	597.88	175.95	29.4	27.8%				
TOTAL SALES			70	1,982.19	621.65	31.4					

DDMS OFFICE SUPPLY		SALES RECAP BY SALESMAN									
P. O. BOS 507		FOR DATES ( - )									
KELLER TX 76248		FOR LOCATION (ALL) Y=A									
SALESMAN ( 1- 10)											
FOR LOCATION ( 1 )											
	DEPT 1	DEPT 2	DEPT 3	DEPT 4	DEPT 5	DEPT 6	DEPT 7	DEPT 8	DEPT 9	DEPT 10	TOTAL
SALES	1842.64	.00	46.80	.00	.00	62.85	27.95	.00	1.95	.00	1982.19
MARGIN	568.68	.00	19.11	.00	.00	21.66	11.70	.00	.50	.00	621.65
GROSS	30.9%	.0%	40.8%	.0%	.0%	34.5%	41.9%	.0%	25.6%	.0%	31.4%

Figure 23. A Sales Recap Report Based on Actual Cost

## Chapter 8: Cycle Counts

Control over inventory is one of the key elements in building and maintaining a successful office products dealership. Establishing inventory control requires accurate inventory counts on a periodic basis. However, inventory counts have traditionally carried a high cost in terms of time and manpower. A dealer could either divert personnel from other projects to perform the counts in-house, or contract an outside firm to perform the job.

Now, dealers can use the M3000 portable bar code scanner in conjunction with the DDMS system to perform inventory counts with a significant savings of both time and manpower, eliminating the expense of hiring outside inventory control personnel. In addition to the time savings, using bar code scanning for inventory control also increases the accuracy of your inventory counts.

With the M3000 scanner, taking inventory is as easy as scanning an item's bar code label and entering the quantity, and, optionally, the bin location. This ensures that each quantity is recorded for the correct item, unlike manual count sheets. When the count is finished, the quantities are downloaded directly from the scanner to your DDMS system, converted into a SHORT-BUYS-type file, and then released to a purchase order, eliminating the errors that can occur when manually keying in items from a count sheet. Once the quantities have been transferred to a purchase order, the purchase order can be received and released to on-hand quantities exactly as though you had performed the count manually.

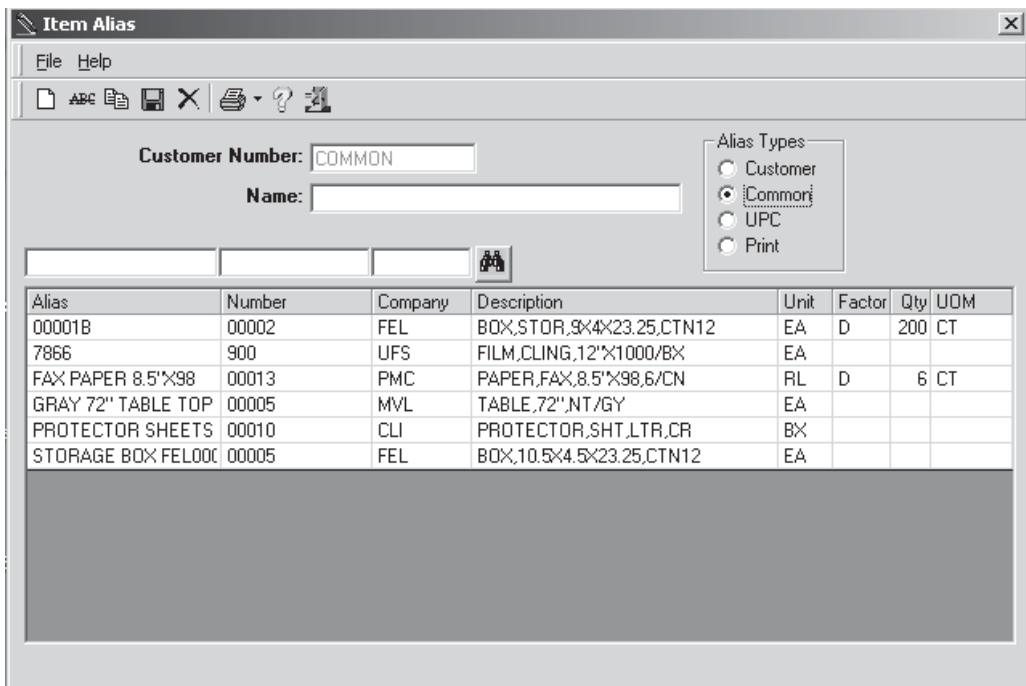
Bar code scanning offers very real benefits to office products dealers. In addition to increased accuracy and reduced costs, it makes it easy to rely on cycle counts to maintain accurate inventory quantities. Once you have taken a complete inventory and have accurate quantities in your system, you can use cycle counts to ensure the continuing accuracy of these figures. The overwhelming speed advantages of bar code scanning make it easy to perform cycle counts on a regular basis. However, to get the maximum benefit from this method of inventory control, some preparation is necessary.

Regardless of whether you are counting inventory manually or scanning bar codes, items should be neatly arranged and located in the correct shelf or bin location. Good stocking practices dramatically increase the speed of any inventory count. In addition, you should make sure that all of your items have been bar coded and the codes set up as aliases for the item numbers in the Item Alias window. Any items that are not bar coded have to be counted and manually entered on a purchase order.

DDMS recommends that you set up your store or warehouse with bar code shelf labels, not just labels on boxes or individual items. Experience has shown that shelf labels provide greater efficiency with respect to inventory control. When taking inventory, your employees can scan the shelf label, do a physical count, and move on the next item. This eliminates the time-consuming difficulties that can occur when trying to scan bar codes that are damaged or faded, covered with shrink wrap or printed on curved surfaces. In addition, shelf labels identify the correct location for each item, making stocking easier.

Shelf labels also provide an additional benefit for many dealers. Inventory control problems can result when a bar code does not match the inventory unit for an item. For example, a retail dealer might sell envelopes by the carton, the box, or individually, using a separate bar code for each. Regardless of which bar code is scanned, the unit measure is one. However, the inventory unit for these item is eaches, and the box represents 500 eaches, while the carton represents 2500. The recommended way to handle this situation is to enter factor amounts for these items in the Factor column in the Item Alias window, as shown in Figure 24. Then, when you scan the bar code for a box of envelopes, the system multiplies the quantity (one) by the factor amount—in this case 500—and uses the result as the quantity of the item. This means that your employees can simply scan the bar code and count the number of boxes. The system automatically converts the quantity to the correct unit of measure.

**Figure 24: The Item Alias Window**



Dealers who have not set up factor amounts for all of their items must be sure to *enter the item quantity using the inventory unit of measure*. Otherwise, you will not have accurate quantities. For instance, in the example of the envelopes above, if you scan the bar code for a box of envelopes and are selling them by the each, you must enter a quantity of 500, not one. This is where bar code shelf labels can provide an invaluable reference for your employees while taking inventory. Unlike product labels, shelf labels include the inventory unit of measure. All your employees have to do is compare the unit of measure being scanned to the unit shown on the label and make any necessary adjustments when entering the quantity into the scanner.

As previously mentioned, careful preparation allows you to realize the full time-saving potential of bar code scanning while increasing the accuracy of your counts. The steps for actually performing inventory counts using bar code scanners are described in the *Cycle Count* manual.

Before using the M3000 scanner for the first time, you need to perform certain setup functions. First, set up the (Y) System Status screen of your DDMS system to work with the scanner. Then you need to download setup information and two programs, PGM1 and PGM2, from your system to the scanner. Instructions for setting up your system's (Y) screen and downloading the setup information and inventory scanning programs can be found in the *Cycle Count* manual.

## Additional Overview

You access the Cycle Count application through the (RC) Cycle Count Report Selection screen, which is shown in Figure 25. You'll learn about the following:

- What a cycle count is, and what advantages it offers over traditional methods of taking inventory
- How the cycle count module can make cycle counting easier and more efficient
- An overview of taking cycle counts.

## What Is Cycle Count

Anyone who's taken inventory knows that it's a long, tedious job. If you take inventory once or twice a year, the task can be daunting in its size and complexity. Also, taking inventory infrequently means that problems such as theft or inaccurate record keeping may go unnoticed for months.

Cycle counting is one way to eliminate these problems. Cycle counts are smaller, more manageable inventory counts that are performed frequently.

You divide the area to be counted into smaller sections, and count one section at a time, eventually working through all of the sections to be counted. Once you count each of the sections, you begin a new cycle, recounting the first section.

Suppose you want to improve inventory control in a retail store. Instead of counting the entire store twice a year, you could count one aisle or gondola each week, gradually working your way through the entire store.

Instead of counting each section with equal frequency, you may instead count sections that need tighter control more frequently. For example, instead of dividing your merchandise into physical sections (aisles, gondolas, or warehouse bins) you could divide merchandise by hits. You may count the top 100 items twice a month, the next 1500 items monthly, and the remainder quarterly.

Some typical methods for frequently counting items that need tighter control include:

- Count order exceptions (from the Exceptions Report in the (TR) screen) daily
- Count the top 500 items monthly, and the next 1500 items bi-monthly
- Count all stocked items quarterly
- Count the high-traffic aisles of a store or warehouse monthly
- Count all big-ticket items monthly or bimonthly.

**Figure 25: The RC Screen**

```

15:01:35      (SDC) Cycle Count Report Selection Rev. (01/25/94)      10/06/94
-----
A. Create Count Sheets File.....Cycle Count Batch Number ?...
B. Print Inventory Count Sheets          Cycle Count Volume Serial ?CC
C. Print Page Control Log
D. Enter Inventory Counts
E. Print Missing Page Report
F. Print Inventory Variance Report.....Variance Type (D-Dollar, P-Percent) ?D
      Variance Amount ? 50.00 Percentage ?..
G. Print Blank Count Sheets And Blank Page Log.....Print Page Log      ?Y
      How Many Page Log Pages ? 1
H. Post Counts To Inventory.....By Variance ?Y.....Save File For Archive ?Y
I. Print Extended Inventory Report.....Report Format (F-Full or S-Summary) ?_
J. Purge Cycle Count File      -----
K. Update O/H In Count File  Bin Num. From ?....      To ?....
L. Count History Archive      Vendor From ?.....      To ?.....
Z. Cycle Count Parameters      Company From ?.....      To ?.....
----- Item # From ?.....      To ?.....
Report Cost Y/N ?N Method ?M(M,W,P) I. Class From ?..      To ?..
Create Sort [I] # Of Records ?.... I. Dept. From ?..      To ?..
(E-Exp,D-Sales,H-Hits,Q-Qty,O-O/H) Page # From ?..... To ?.....
-----Archive File ?JOUR-I      Volume ?W1 ----
Request [.] Location ? 1 Printer ?P1 Copies ? 1 Totals Only ?. (Y/N)
    
```

As you can see, there are many ways to organize a cycle count. You must determine the best method for your business, based on the amount, value, and nature of your inventory.

## How the Cycle Count Application Improves Cycle Counting

The Cycle Count application can greatly improve the speed, accuracy, and efficiency of your cycle counts.

### Easily Organizing and Managing Your Counts

First, it helps you organize your cycle count quickly and efficiently, by offering a number of ways to create count sheets. For example, you can create count sheets for a range of bin locations, or for a range of stock classes, departments, vendors, or manufacturers. You can also create count sheets for items with the highest sales, hits, or on-hand quantities, or for items in the EXCEPTIONS and VER-EXCEPT files.

---

**Note:** The EXCEPTIONS file records any unusual actions an order-writer takes during order entry, such as changing the backordered quantity. The VER-EXCEPT file records quantity changes made during verification.

---

Along with the count sheets, you can print page logs. These logs conveniently summarize the contents of each count sheet, making it easy to quickly find the right count sheet. They also make it easy to select particular count sheets for printing or reprinting, instead of printing the entire batch at once. Page logs also provide space to check off each count sheet as it's completed.

The count sheets provide blank lines to add items that weren't printed on the count sheets (uncataloged items, for example). You can even print blank sheets, if you use up the lines at the bottom of each count sheet. When you enter the count in the system, any uncataloged items will be automatically cataloged for you. Using this feature, you can reduce the number of uncataloged items each time you complete a cycle count.

### Reducing Counting Time with Bar Code Scanners

You can use portable bar code scanners with the cycle count application. By doing so, you can greatly reduce the time it takes to count your inventory. When counting with the M3000 (the bar code scanner that's integrated with the cycle count application), you simply scan the bar code for each item, and then enter the quantity. This lets you count faster, and eliminates transposition errors. (Transposition errors can occur when you count manually and enter a count on the wrong line.)

After entering items in the M3000, you can transmit the counts to your system. The count sheet file automatically updates, eliminating the time that would otherwise be spent entering data manually. By automating the update process, you also eliminate mistakes that could occur while manually updating the count sheet file.

## Catching Errors Quickly and Easily

Any tedious, repetitive task is prone to human error, and inventory counts are no exception. However, the cycle count application has a number of well-designed features that help you easily catch and correct errors.

To prevent keying errors, the system requires you to enter the total count for a count sheet first. You then correct the system's quantities for the items on this sheet, changing them wherever the quantity you counted differs from the system's quantity. The system keeps a running total for the sheet as you make entries. To complete the sheet, the running total must match the total you entered initially. (This ensures that every difference between the system's count and your count was accurately entered.)

After entering all of your counts in the system, you print the Missing Page Report, which lists any page that wasn't completed in the system. This report ensures that no count sheets were lost in the shuffle.

Once you know that every sheet has been recorded in the system, you print the Inventory Variance Report. This report does more to ensure accuracy than any other part of the cycle count application. It reports every item with a variance — a significant difference between the system's on-hand quantity and

**Figure 26:**  
Printing an  
Inventory  
Variance Report

```

15:01:35          (SDC) Cycle Count Report Selection  Rev. (01/25/94)          10/06/94
-----
A. Create Count Sheets File.....Cycle Count Batch Number ?....
B. Print Inventory Count Sheets          Cycle Count Volume Serial ?CC
C. Print Page Control Log
D. Enter Inventory Counts
E. Print Missing Page Report
F. Print Inventory Variance Report.....Variance Type (D-Dollar, P-Percent) ?D
          Variance Amount ? 50.00  Percentage ?..
G. Print Blank Count Sheets And Blank Page Log.....Print Page Log          ?Y
          How Many Page Log Pages ? 1
H. Post Counts To Inventory.....By Variance ?Y.....Save File For Archive ?Y
I. Print Extended Inventory Report.....Report Format (F-Full or S-Summary) ?_
J. Purge Cycle Count File  -----
K. Update O/H In Count File  Bin Num.  From ?....          To ?....
L. Count History Archive      Vendor  From ?.....          To ?.....
Z. Cycle Count Parameters      Company  From ?.....          To ?.....
----- Item #          From ?.....          To ?.....
Report Cost Y/N ?N  Method ?M(M,W,P)  I. Class From ?          To ?
Create Sort [I]  # Of Records ?....  I. Dept. From ?          To ?
(E-Exp,D-Sales,H-Hits,Q-Qty,O-O/H)  Page #  From ?.....  To ?.....
-----Archive File ?JOUR-I          Volume ?W1 ----
Request [F]  Location ? 1  Printer ?P1  Copies ? 1  Totals Only ?. (Y/N)

```

the quantity you counted. When printing the report, you specify how much of a variance is significant to you. You may want to list variances of \$50.00 or more, for example. See Figure 26.

You can then recount items with significant variances, making sure that the variance wasn't caused by an error made while counting, or while recording the count in the system.

Since you control the amount of the variance, you can actually measure the accuracy of your count, and decide just how accurate you want it to be.

### Updating Your Inventory Files Automatically

After you complete your cycle count, you can post it, automatically updating your system's on-hand quantities and bin locations with the results of your count. This procedure was carefully designed to ensure accuracy, even if there are several business days between the time when you complete the count and the time when you post it.

You can also post the count by sending it to the RECEIPTS file first. This lets you flush backorders, filling orders with items you didn't know you had.

### Planning Your Cycle Count

Taking a cycle count requires careful planning, since many daily business activities can affect it, including purchasing, receiving, order entry, and order pulling.

Some of the most important points to keep in mind when planning your count are the following:

- A cycle count compares the on-hand quantities in the Item window (the quantity your system says you should have) with the quantities you count (the quantity you actually have). Therefore, it's essential that you receive all merchandise you intend to count into the system.
- Your inventory constantly changes during a business day. A cycle count is a snapshot of your inventory at a particular moment. You take this snapshot when you begin the cycle count process by creating a count sheet batch. If any merchandise is added or removed from your count area after you create the count sheet batch, you need to take a new snapshot. (You can do this by using the [K] Update O/H in Count File function in the (RC) screen.)
- Order entry may continue while you count. However, no one may fill orders by taking merchandise you intend to count.
- You may receive shipments during a count, as long as these shipments are clearly separated from the merchandise you intend to count.

## Preparing for the Count

Before beginning, prepare the merchandise to be counted. Take care of any necessary housekeeping (reboxing, returning merchandise to vendors for credit, and so forth).

Make the following preparations through your system:

- Make sure that the system's on-hand quantities are up to date: receive all merchandise to be counted through the Purchase Order Entry window; flush backorders and then flush to on-hand through the (TR) screen.
- Perform an (MA) at day's end.
- Pull any merchandise from the area to be counted to fill existing orders, and invoice these orders. (After you begin counting, no merchandise may be pulled from the count area.)

---

**Note:** If you intend to create count sheets from the EXCEPTIONS and VER-EXCEPT files, you must create the count sheet batch *before* printing the day's Exception Report, and before printing the Verification Exception Report. (Printing these reports deletes the exceptions from the files.)

---

## Additional Preparations When Using M3000 Bar Code Scanners

You must complete a few additional preparatory steps to use M3000 portable bar code scanners for a count.

1. Make sure every item has a bar code.
2. Set up a bar code alias for each item.
3. Set up factor amounts.
4. Use bar code shelf labels.

## Cycle Counting Your Inventory

1. **Create a Count Sheet Batch.** The batch contains the pages that you'll record your count on. You can limit the items a batch contains in a number of ways: by bin location, vendor, manufacturer, or stock class, for example.

You can also create batches consisting of the top items in a number of categories. For example, you can create a batch of the 500 items with the greatest year-to-date sales or hits, a batch of the 100 items with the largest on-hand quantities, or of all items with order entry exceptions.

When you create a count sheet batch, the system takes a snapshot of the current on-hand quantities. In other words, the batch freezes your inventory at a particular moment. When you count your merchandise, you'll be comparing the items you actually had at that moment with the items your system says you had at that moment.

2. **Print a Page Log.** The page log summarizes the contents of each page in your batch, and can help you keep track of the pages that have been counted.
3. **Print Count Sheets.** You'll use these to record the count. You can print some or all of the count sheets in your batch.
4. **Print Blank Count Sheets.** Your count sheets will include some blank lines for recording items that aren't printed on the sheet. These are items that are uncataloged, or items that did not meet the limits you set when creating the count sheet batch.

If you anticipate counting a large number of unlisted items, you can print blank count sheets to record them on. (Blank count sheets may be particularly necessary during your first cycle count.)

5. **Update On-Hand Quantities in the Count Sheet Batch.** Ideally, after creating the count sheet batch you should suspend all receiving or pulling of merchandise in the count area. However, if you must receive or pull merchandise after creating the batch, you can update the batch's on-hand quantities. This will help ensure an accurate count.
6. **Count Your Inventory.** Count your inventory, either manually or using M3000 scanners. Use the page logs to help ensure that every page is completed.

If you use the M3000, enter the counts (and also the bin locations, if desired) in each scanner. Then use the (RCZB) screen to send the information from each M3000 to your system.

If you're counting manually, record the results on your count sheets. After completing the count, total the quantity for each page, including any handwritten items. Record these totals in the space provided for them on each page.

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**Note:** DDMS recommends that you total each page count twice, to ensure its accuracy. These page totals play an important part in finding errors made during the count. Therefore, it's important that they're correct.

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7. **Enter the Count.** To enter the count when using M3000 scanners, use the (RCZB) screen to update the count sheet batch. After you do an initial update, reports will print that indicate whether any items were missed, or could not be updated. If necessary, you can also perform secondary and final updates.

To enter the count manually, you retrieve each page on the system, and enter the page total. Next, you correct any of the page's on-hand quantities that were wrong. If the count sheet indicated that you should have 10 boxes of item ABC, for example, and you actually have 12 boxes, you would change the quantity to 12. You can also correct bin location errors when entering the count.

Any items that were handwritten on a count sheet page may be added to the system's pages. If these handwritten items are uncataloged, the system will catalog them for you automatically, creating new records for them in the Item window.

The system keeps a running page total as you correct the quantities. To help prevent errors, the page total you entered must match the system's running page total before you can complete the page.

8. **Print the Missing Page Report.** This report lists any count pages that were not completed on the system. Like the running page total mentioned above, it helps ensure the accuracy of your count, by bringing missing or overlooked count sheets to your attention.
9. **Print a Variance Report.** This report lists all of the items with counts that were significantly different from the system's on-hand quantities. You can specify how much of a difference you consider significant when you print this report.

You can then recount the items with significant differences, making sure that these differences weren't caused by counting errors.

If you're using M3000 scanners, you'll use the (RCZB) screen to change inaccurate counts.

If you're counting manually, you can change counts through the (RCD) screen.

10. **Post the Count.** Posting the count updates your on-hand inventory and bin locations.

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**Note:** You can post the count to the RECEIPTS file before updating your on-hand inventory. (This lets you flush backorders, filling orders with items you didn't realize you had.)

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11. **Print the Extended Inventory Report.** This report acts as an audit trail, giving you a hard copy of the completed count.

You can also archive your completed counts. If you do, you can review and print reports from these archives at any time.

## Inventory — Count Less, Sell More

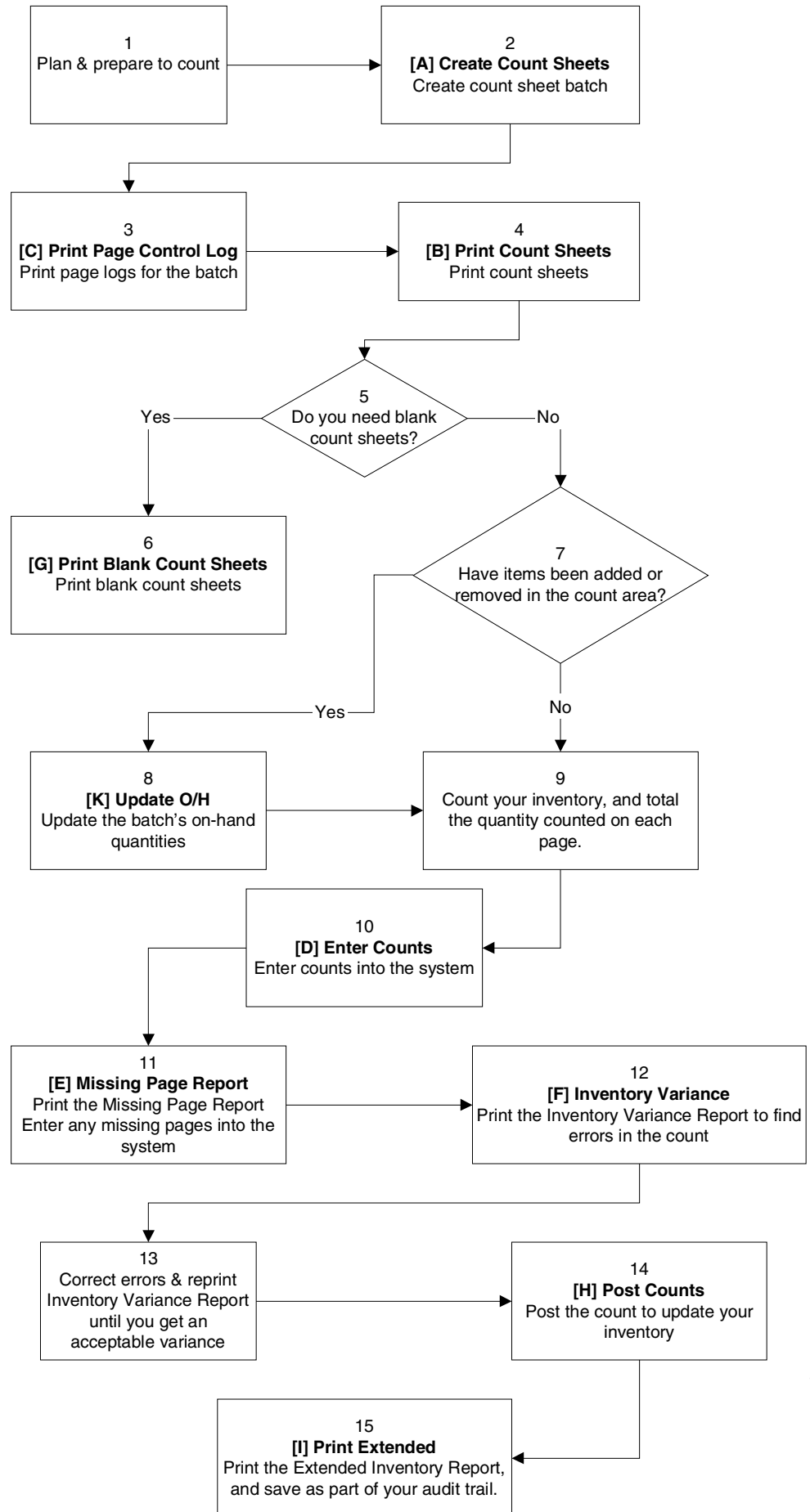
After beginning a cycle count program, you should periodically review the results, to make sure that you are actually meeting the goals you have set. The success of a cycle count program depends on taking the time to plan and execute it properly, and on striving for accurate, consistent counts.

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**Note:** The flowcharts on the next two pages summarize the steps you take during a cycle count. The first flowchart shows the steps you take when counting manually. The second flowchart shows the steps you take when counting with M3000 scanners.

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## A Flow Chart Summary for Manual Cycle Counting



# A Flow Chart Summary for Cycle Counting with a Hand Held Scanner

