



**HOW TO PICK AN
INVENTORY
MANAGEMENT
SOLUTION
THAT SCALES WITH
YOUR BUSINESS**

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Introduction

With the right inventory management solution in place, manufacturers can confidently go about their business knowing that they have a solid foundation in place that will allow them to quickly adapt regardless of market conditions, challenges or changing business models.

During the startup phase, manufacturers should be focused on establishing their businesses, building market share and creating a sustainable business model. Setting up shop, establishing physical or virtual locations, staffing up, developing product lines, and finding customers are all top of mind during this stage, and rightfully so.

But once those “early stage” challenges are behind them, manufacturers have to think about scaling up, strategically expanding their markets, increasing sales and building

their customer bases while maintaining and increasing profitability.

The backbone of most successful, modern businesses is their ERP solution—but not all of these solutions are created equally. Rather than wasting time, money and resources maintaining a complex IT infrastructure, today’s manufacturers are choosing cloud-based solutions that not only meet their current needs, but that can also adapt quickly to the needs of an expanding organization.

For any manufacturer that’s operating in today’s fast-paced, omnichannel driven selling environment, inventory management is one area where “scale” truly counts. For example, a growing company may make any (or all) of these moves in an attempt to grow revenues and market share:

- Expanding into new geographies (e.g., through acquisitions).
- Overhauling its ecommerce approach to sell more online.
- Developing new product lines and distribution partners
- Creating stronger alignments with distributors and/or customers.
- Developing a leaner inventory approach that reduces inventory levels while minimizing stock-outs.
- Finding new ways to drive costs out of the manufacturing process.

Achieving these and other growth goals can be easier and less costly with technology, but only if that technology is flexible, scalable, adaptable and cloud-based. By helping manufacturers minimize manual work and streamline their operations, a scalable inventory management solution can reduce costs, improve efficiencies and simplify even the most dynamic manufacturing environments.

In this white paper, we explore how scalable technology helps manufacturers solve their biggest pain points, demonstrate how to pick a solution that will scale with the business and reveal how a NetSuite manufacturing customer successfully transformed its inventory management approach with a scalable, cloud-based solution.

Easing Manufacturer Pain Points with a Scalable Inventory Management System

Achieving optimal inventory levels is a delicate balance. Buy or make too little and you wind up with stock-outs and unhappy customers, too much and you're carrying additional costs, taking up valuable space and potentially stocking obsolete inventory that will never be sold. Intent on running leaner operations that aren't saddled down with excess inventory or plagued by wasteful processes, more manufacturers are examining their inventory turns and coming up with good management strategies that satisfy customer demands while also reducing (or eliminating completely):

- High inventory costs
- Uncertainty due to fluctuations in demand
- Stock-outs
- Unnecessary order duplications
- High levels of working capital tied up in inventory
- Excessive storage costs
- Imbalanced shipment lead times
- Lost customers
- Loss of materials due to carelessness or pilferage

Combined, these problems can add up to substantial financial losses—all of which can be avoided or mitigated by using a scalable inventory management platform that enables high levels of inventory visibility on a real-time basis.



Inventory management includes product ordering, storage and control. It's about having the right products in the right quantities in the right place and at the right time—and all at the right cost. By governing non-capitalized assets and monitoring the movement of products from manufacturer to end user, inventory management requires detailed recordkeeping for every stocked product.

Quality Management: A Critical Part of inventory Control

Ensuring you have the right amount of inventory on hand in the right location—and at the right time—is fine, assuming that all of the inventory is actually usable/sellable. Deploying an easy to use quality management solution that empowers your employees to quickly identify

and disposition non-conforming inventory is a critical part of inventory control and also helps build stronger relationships with customers, vendors and distributors.

Beyond inspecting inbound and in-process materials, manufacturers need to gather as much information as possible about every part of their manufacturing process, and not wait until the end of the production run to identify if materials and/or products are non-conforming. A modern Manufacturing Execution System (MES) is not just about tracking labor and machine time, it will also help to identify potential issues real-time, track machine-related downtime and accurately measure scrap raw materials and finished goods.

“We saved a ton of money moving to the cloud—it’s what we were waiting for. We were able to lower our costs and get everyone on the same platform. Everyone won.” [Mountz Incorporated](#)

All of this valuable information needs to be gathered and made available to your ERP system so that advanced analytics can be used to identify potential process improvements on an ongoing basis.

Good Inventory Management: From Point of Origin to End User

A critical aspect of supply chain management, inventory management extends from the point of origin (e.g., the manufacturing plant) to the end user. Left up to chance, it can either tie up cash and hurt organizational profits, or it can save companies money while also improving their profits and bottom lines.

Consider these two scenarios:

- When you overstock in anticipation of future demand, your company may wind up saddled with “dead stock” in its warehouse, DC or retail store. This dead stock consumes working capital and uses up physical space all while sitting still. The products in question may also be on the brink of obsolescence, rendering them unreturnable and useless in the near future.
- When you don’t hold enough inventory in stock, you risk running out right when customers ask for the goods. Maybe the current tariff situation has you jittery about foreign supply sources, or maybe your

firm’s new ecommerce site is creating new, unprecedented demand levels for certain items. Whatever the culprit, you now have a stable of unhappy customers to contend with.

In the past, companies tried to avoid these problems by performing physical counts out in the warehouse and then reconciling those counts with paper- or batch-based systems. This task took place on a scheduled basis (e.g., at the end of a set period, such as a month or a quarter), with the result being updated inventory figures.

Today’s inventory management processes incorporate advanced technology. Scalable inventory management software, for example, enables real-time updates of inventory counts on a regular basis. When this process takes place in the cloud, the information can be readily shared with all users and stakeholders across multiple business units and locations.

What is a Scalable Software Platform?

In the business world, the word “scale” means to grow or expand in a proportional and usually profitable way. It’s also used as a noun that translates into proportional growth especially of production or profit and/or a large market position.”¹ Specifically in the software realm, a scalable system is one that doesn’t have to be redesigned in order to maintain high levels of performance when workloads increase.

¹ [Merriam Webster, What Does ‘Scale the Business’ Mean?](#)

Those increases could be driven by more users on the system, the need for higher storage capacity, an increase in transaction levels or pretty much any other event that forces the solution past its original capabilities. Not always seen as a requirement during the software selection phase, scalability allows your inventory management solution to grow, change and morph along with your company.

Scalable software platforms provide a myriad of benefits. A manufacturer that's just starting out, moving into a new market or taking on a new product line, for example, should select a scalable inventory management solution that provides only what the company needs at the time. That translates into lower upfront investment and less user training—both of which are attractive “wins” for companies in the startup phase.

As the manufacturing business starts to grow, however, its inventory management solution has to mature right along with it. An electrical manufacturer that starts out with 200 SKUs and 10 electrical contractor customers, for example, but then expands to 2,000 SKUs and 100 customers within two years, needs a solution that can scale up without any major redesigns or interruptions.

By preparing for future expansion while keeping complexities to a minimum, scalable platforms leave the door open for changing requirements while helping manufacturers adapt to their own changing business environments (and all without a high upfront

investment in technology). Because the software was literally designed to grow along with the company, manufacturers can continue to leverage the same software for a longer period of time. Combined, these benefits help companies protect their investments and get the most out of them.

Is Your Software *Really* Configured for Scalability?

At some point, every manufacturing company experiences the kind of growth that outstrips its technology. Maybe that software was developed decades ago, or maybe it's just maxed out and unable to scale up any further. It could have been developed on older architectures and because of this, it can't integrate with other systems and solutions. Or maybe a manufacturer wants all of the bells and whistles (e.g., dashboards, application programming interfaces (APIs), mobile capabilities, etc.) that modern, cloud-based software platforms have to offer.

The problem is that in today's competitive business environment, manufacturers can't afford to spend time and money on manual inventory management processes—nor can they afford to work with solutions that don't adjust to their current (and future) technology needs. No longer relegated to using proprietary, on-premise systems that offer low levels of flexibility, today's leading companies are leveraging cloud-based platforms with capabilities that can be expanded (and, if necessary, contracted) to meet the enterprises' needs.

“At the end of the day, manufacturers need to be able to account for every dollar and cent. Without robust reporting capabilities—and the ability to know exactly where everything is at any given time—you’ll just spend a lot of time chasing that information down instead of focusing on building your business.” [Gavin Davidson](#), Manufacturing Product Marketing Director, Oracle NetSuite

If a manufacturing company is using Excel spreadsheets to manage inventory; continually finding itself in either overstocked or understocked positions; and dealing with inventory counts that don’t align with what’s really on the storeroom shelves, then its probably already losing money and customers. Other telltale signs that an inventory management system isn’t working anymore include:

- Complicated, time-consuming inventory reconciliation processes.
- Overstocking to ensure that the right amount of product is on-hand when needed.
- Constantly having to manually change physical counts to reflect actual in-stock positions.
- Mismanaged inventory levels.
- High levels of human error (i.e., due to manual data entry processes).
- Inability to handle an increased number of stock keeping units (SKUs) as your manufacturing business grows.
- No metrics to leverage to confidently optimize inventory.

- Too much obsolete inventory in the warehouse or distribution center (DC).
- Poor demand forecasting.

For a company in growth mode, the right technology can help gain better economies of scale and improve throughput with less human labor. By investing wisely in technology, a manufacturing company can achieve all of these benefits and more.

Scalable Inventory Management in Action

Historically reliant on manual inventory processes, Mountz Incorporated recently digitized its inventory management approach with the scalable, cloud-based Oracle NetSuite application. Based in San Jose, Calif., the producer of torque tool couldn’t keep up with growing demand for products. Manual sales and inventory tracking cause lost sales and incomplete product shipments.

The established manufacturer now has control, visibility and planning abilities across more than 17,000 SKUs at their distribution center in Foley, Ala. “With NetSuite, sales people can manage their own accounts, manufacturing people can track work orders and inventory in real-time, and our CEO, who wouldn’t go near our other systems, is now fully engaged with our information technology.”

“A modern manufacturer’s business is constantly evolving. Customers are demanding more and faster product iterations which just increases the strain not only on the manufacturers business itself, but also on their vendors and partners. It’s essential to constantly manage the effectiveness of your business processes and ensure that your ERP system has the flexibility to grow and evolve with you.”

Gavin Davidson, Manufacturing Product Marketing Director, Oracle NetSuite

Automating processes such as sales force reporting, order creation, product allocation and pick-list printing have increased efficiency across the board. Using Oracle NetSuite, Mountz has improved decision-making with a single system of record across its diverse and growing operations. The company has averaged 15% a year annual growth in its customer base to more than 5,500 customers, including corporate buyers such as GE, IBM, Ford and Raytheon.

The Best Approach: Walk, Crawl, Run

During the software selection process, the vendor’s job is to help the customer “walk, crawl and then run” in a way that ensures good scale for a growing business. Using a step-by-step approach, manufacturers will not only be building your inventory management approach on a strong foundation, but also setting that system (and company) up for future success.

In return, manufacturers gain full visibility into their inventory and the ability to make fast, accurate decisions regarding the allocation of orders and products.

To get started, Davidson tells manufacturers to assess where they are right now and where they want to go.

Assessing Your Current and Future Requirements

As Mountz and many other companies have learned, finding the right inventory management system requires assessing the manufacturer’s current needs and its plans for future growth. And while predicting the future is never an easy thing, assessing a manufacturing business’ current status, identifying any technology gaps and reviewing its future plans can all help set manufacturers on the right path.

Key questions to ask include:

1. What are we using right now and how is it working for us?

Take an honest snapshot (or, bring in an outside consultant or software vendor to provide a third-party opinion) of the current inventory management solution and its capabilities. If it’s not working, tell us why—what’s missing?

2. What are our current solutions' limitations?

What should be on the “wish list” right now if someone asked what the inventory management solution should handle? With today's cloud-based software systems, virtually anything is possible.

3. What will you need one to five years from now?

Brainstorm with sales and marketing team, talk to your warehouse manager and do some customer focus groups to figure out where the new opportunities are. Taking advantage of them will mean scaling up the inventory management approach to meet the needs of your growing manufacturing company.

Working through this exercise, manufacturers will have a clear picture of the company's current inventory management needs and what it will need in 2019 (and beyond).

Getting the Right Products to the Right Place at the Right Time

Whether a company is just starting out in manufacturing or ready to gain more market share in the field, it will miss the mark if it doesn't have an efficient, automated inventory management system to build upon. Not only will the company not be able to scale up, but it will always be held back by the number of people it needs to manage all of the manual inventory management processes.

Armed with accurate inventory data that's recorded, tracked and optimized with a robust software suite, manufacturers can effectively

reduce costs, minimize waste, meet customers' expectations and more accurately predict future demand. By incorporating automation—namely, barcode scanners that enable real-time updates—inventory management software also removes the potential for human error and gives organizations an accurate picture of their inventory status at any given moment.

Combined, these benefits help firms maximize their profits while minimizing their inventory investments. When supported by a scalable, cloud-based inventory management solution, this approach also helps manufacturers protect themselves from fluctuations in demand, reduce the risk of loss, minimize administrative workloads and avoid ordering duplications. Most importantly, a scalable inventory management platform ensures that customers get their shipments in a timely fashion in today's on-demand business world—a must-have for any growing manufacturing business

About Oracle NetSuite

For more than 20 years, Oracle NetSuite has helped organizations grow, scale and adapt to change. NetSuite provides a suite of cloud-based applications, which includes financials/Enterprise Resource Planning (ERP), HR, professional services automation and omnichannel commerce, used by more than 16,000 customers in 203 countries and dependent territories.

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