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Business Issues Resulting from Outdated Computer Software

by

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Many companies are reluctant to modernize their old computer software feeling it has been working well for many years and everyone has gotten used to it. What they fail to realize is that not having a modern computer system results in the following domino effect:

Excess Inventory:

- Misplaced inventory becomes excess inventory collecting dust on the shelves, while new inventory gets ordered.
- When the physical inventory takes place, the misplaced inventory is found and becomes excess inventory that might never be sold. This inventory takes up unnecessary space in the warehouse and will probably be sold to a consolidator.

Business Disruption:

- When customers call to place orders, not having accurate information of what inventory is in the warehouse results in lost revenues.
- Lack of accurate sales' information results in buying decisions based on "gut feelings."

Excess Inventory in the Warehouse:

An un-automated warehouse will create a domino effect resulting in Excess Inventory. When new inventory is received, very often half-empty shelves are consolidated to make space for it. Lacking the ability to scan the bar coded labels and up-date the computer in real-time mode, warehouse personnel will update the computer manually with the new location of previously consolidated inventory.

If warehouse personnel forget to update the computer, the consolidated inventory will not be found when it has to be shipped. This creates an artificial shortage of inventory and new inventory will be bought, while the misplaced inventory is collecting dust on the shelves. This misplaced inventory will not be found until the next physical inventory takes place in the warehouse and will often become excess inventory.



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Business Disruption:

Another factor resulting from using outdated computer software is the domino affect that increases manual efforts and results in bottlenecks. Very often when customers call, customer service personnel will not have readily accessible information and might have to search through multiple computer screens or go to file cabinets to find printed information while the customer waits on the phone. Besides creating an unhappy customer, other customers or prospects that call and have to wait often hang up and call other vendors. These kinds of lost sales' revenues cannot be measured.

Not having readily available and accurate information about what inventory should be purchased results in buying decisions that are made largely on “gut feelings” rather than accurate computer information. Just because the product was a strong seller in the past does not guarantee that it will perform as well this season or this year. The big order everybody remembers might have been an order that the customer placed for a special promotion, or the product might have reached its peak popularity and is on the wane. This kind of miscalculation results in excess inventory in the warehouse collecting dust and often has to be financed.

About the author: Since 1980, Dani Kaplan has worked with corporate executives to improve purchasing, increase warehouse and distribution efficiency and implement the solutions that result in substantial savings and productivity improvements. He is president of SMC Data Systems, Inc. (www.smcddata.com) and can be reached at 212.714.3536