



Challenges Businesses Face.

Problem: Un-Automated Warehouse Business Issues:

1. When inventory is received at the warehouse it is manually verified against the purchase orders, then the computer records are manually updated.
2. When space is needed, half-empty shelves are consolidated. If the computer records are not updated the misplaced inventory will collect dust until the next physical inventory.
3. Wrong products might be picked by not being scanned and verified by the computer.
4. At shipping time, one person packs the products while a second person verifies the shipments for accuracy. This results in additional labor costs.
5. Until a physical inventory is taken, the accuracy level of inventory cannot be determined.

Problem: Losses Resulting from Wrong Shipments:

1. Wrong shipments that get returned result in double freight bills.
2. Shipped inventory gets replenished and the returned inventory can become excess inventory.
3. Invoices that have returned inventory items often don't get paid on a timely basis until credit or adjustments are given resulting in cash flow problems.
4. Returned Inventory creates additional work for the accounting department which has to issue credits and adjustments.
5. Vendor early payment discounts are often missed resulting from the additional workload the accounting department faces when issuing credits and adjustments.

Solution: Automated Warehouse:

1. Received inventory is scanned and verified against the purchase orders, and the computer records get updated in real-time mode.
2. When the half empty shelves are consolidated, the inventory is scanned before being moved to different locations and the computer automatically gets updated in real-time mode.
3. The picker scans the inventory to be picked in real-time mode and cannot pick the wrong quantity or items.
4. Inventory to be shipped is packed and scanned by one person rather than two people resulting in lower labor costs.
5. Locations can be scanned on a timely basis so misplaced inventory can be located without taking a complete physical inventory.

Problem: Buying based on "gut feeling:"

1. Buying based on "gut feeling:" just because the product sold last year does not guarantee it will sell this year.
2. Everybody remembered the very big order that might have been for a one-time promotion.



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3. When a product reaches its maturity, the sales will decline. Not taking product maturity into account will result in excess inventory.
4. Buying without having accurate count of the inventory in the warehouse will result in excess inventory.
5. Not having good control of open customer orders and purchase orders given to vendors will result in excess inventory.

Solution: “Buying Smart:”

1. A Forecasting System that takes into account product maturity by analyzing sales from previous years to determine product maturity.
2. Disregarding one-time big order and not taking it into consideration as part of product demand.
3. Based on the inventory in stock, the number of open orders, purchase orders issued to vendors and product maturity, the computer system suggests what to buy and in what quantity.
4. Determining vendor delivery time-table will help “Just in time” purchasing.
5. Knowing who to buy from: the lowest priced vendor is not always the “best buy.” Late deliveries by vendors can result in inventory shortage and customer cancellations.

SUMMARY: Not having the appropriate computer system will result in the “domino affect” of increasing operating costs, lost sales and additional expenses that will lower bottom line profit.

Additional articles about these subjects can be found on our website www.smcddata.com under the “Company Profile” icon. The articles are going to be published soon in “Progressive Distributor” magazine.

Company History

SMC Data Systems has been providing ERP solutions since 1980. Using our software solutions, our clients’ bottom line has improved by “buying smart, shipping efficiently and achieving 99% inventory accuracy.” We pride ourselves on our high level of customer satisfaction which is reflected in the testimonial letters that have been written about us on our website, www.smcddata.com “Testimonials” icon.