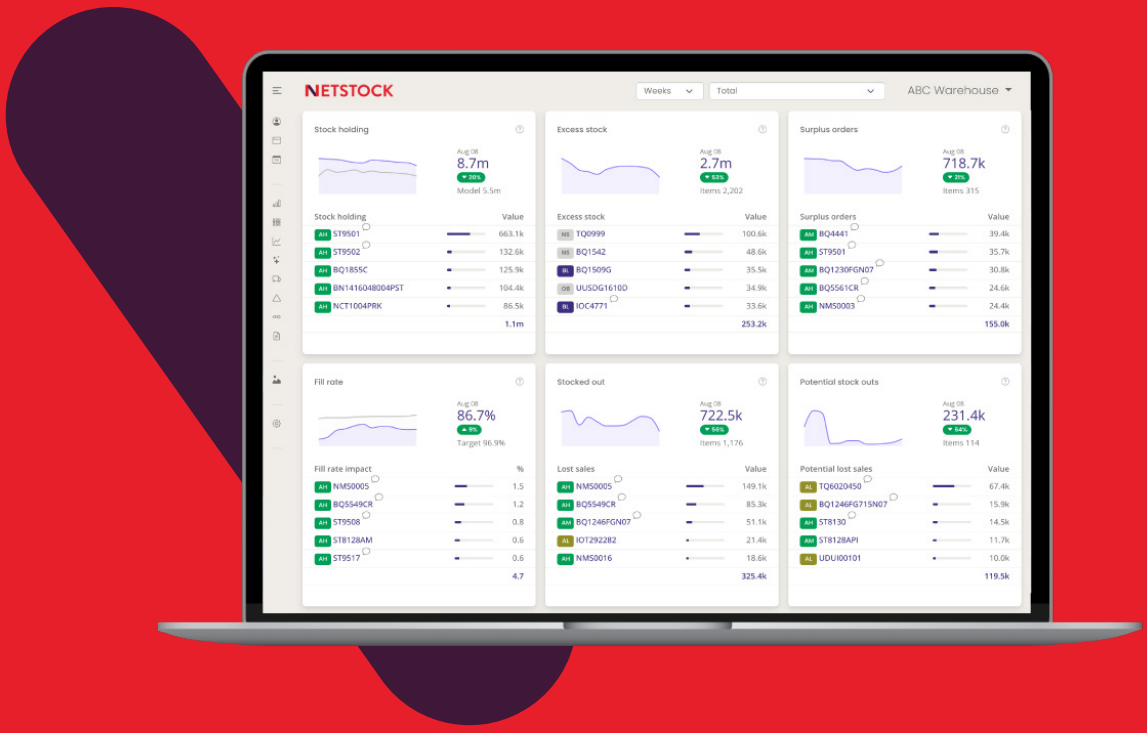
NETSTOCK

The missing link in your ERP: Inventory optimization.



Unlock the data in your ERP to drive smarter inventory decisions.

How efficiently does your ERP software enable you to manage inventory?

In this eBook, you'll discover...

The role of the ERP: its functionality and where it ends.

How an **intelligent demand and supply planning solution** will optimize the data in the ERP to provide:

- Actionable insights to build a market-ready supply chain
- Reliable automation to free up time and resources
- Prescriptive recommendations to balance inventory

Contents.

1. Introduction

Optimizing and planning inventory today requires **speed, accuracy**, and **visibility** to adapt and respond to change. **The right software** will help your business navigate supply and demand variability, ensuring your business is better prepared to meet customer demand.

Balancing inventory investment and stock availability while factoring in supply and demand risk adds complexity and leads to the **inventory planning dilemma.**

What is the inventory dilemma?

Even with an ERP system to help with your inventory replenishment, you discover your inventory levels are not balanced. You find yourself fighting fires daily, having to deal with one or many of these scenarios:

- Holding too many slow-moving items
- Working with unreliable suppliers makes it difficult to meet the demand
- Experiencing stock-outs of high demand items
- Having too much safety stock for the incorrect items
- Needing to forecast for new products

Adding to this dilemma, you are managing inventory on complex spreadsheets. You are most likely frustrated with this process, and the time it takes to plan the optimal inventory levels needed to reach your target fill rate.

ERP software has not been designed to manage the complexities of optimizing inventory. It won't provide predictive insights or notify you ahead of time of any potential challenges with your inventory levels.

The solution...

Invest in an add-on demand planning solution that draws data from your ERP. This solution needs to provide powerful insights and create a centralized forecasting and planning platform ensuring your business is market-ready.

The benefits of integrating ERP software in your business

ERP software is designed to manage the administrative processes and optimize various operational functions in your business, such as finance, human resources, operations, and your supply chain. It creates a central database of information, automates routine tasks, and simplifies business processes. It's often the central digital connector in your business. Collecting, storing, and analyzing the data in your ERP play a vital role in improving your business outputs by increasing productivity, quicker decision-making, and revenue margins.

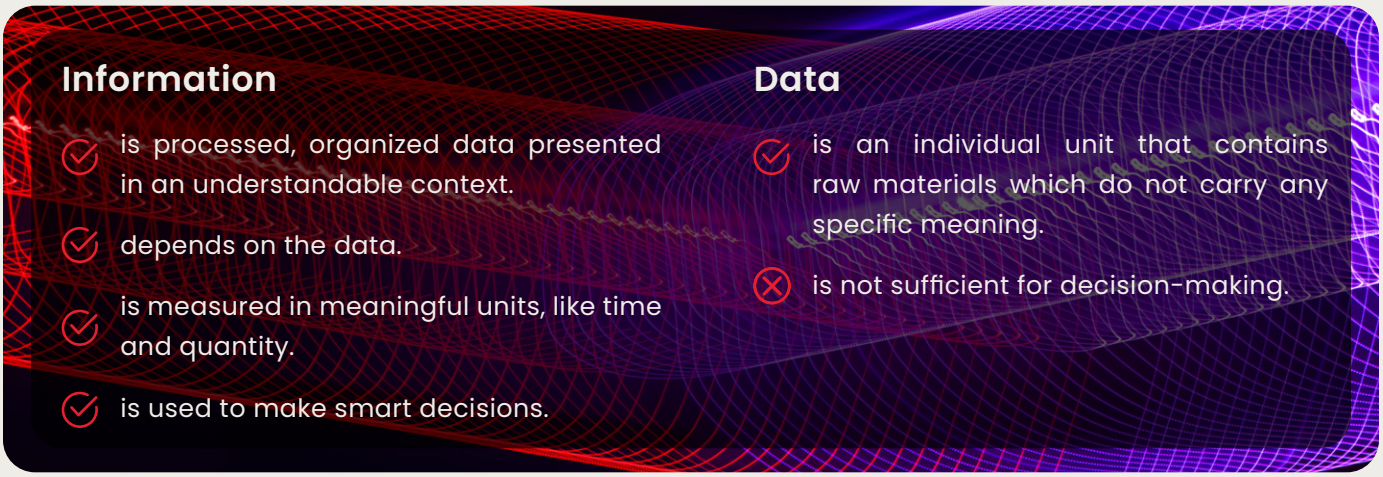
Benefits of an ERP

- Automate manual processes, such as invoicing and reporting.
- Enable broader team collaboration by having access to updated operational information.
- Streamline work processes to free up the team's time and improve overall performance.
- Cloud-hosted ERP software reduces IT costs, and you can access the system anywhere, anytime.
- Improve financial planning and reporting.
- Improve customer service levels with customer data to better respond and deliver products quickly to customers.

2. The data challenge: A critical factor in inventory optimization

Today, more supply chains are utilizing data-driven technology to accelerate their operations. Data is a powerful resource for your supply chain, providing visibility so that your business can be more prepared and adjust to changes, maintain inventory levels and identify new opportunities for the business.

A survey conducted by **Gartner** in 2020, identified that 70% of companies accelerated their digital roadmaps during the pandemic. Some leading supply chains have reached a point in their transformation journeys where they consider themselves "digital first" in using technology to enable seamless customer experiences and automated supply and product management decisions.



> *Create an ongoing maintenance routine to ensure the information used in your software is accurate. No process or software improvement will help enhance your demand planning if the data is wrong,* Gail Haggerty, Director Onboarding at Netstock.

#1. Data needs to be accurate

Data has infinite value for your supply chain if **accurate, accessible, understood**, and used to **identify actionable insights**. Being diligent and committed to ensuring the data in your ERP is accurate will reward you for making smarter decisions to plan and manage your inventory. The lack of accurate data significantly hinders businesses, contributing to poor decision-making and lost sales and customers.

#2. Data and your ERP software

The better you plan for demand, the better you serve your customers. But even the best data is useless if you can't analyze and interpret it to make smart decisions.

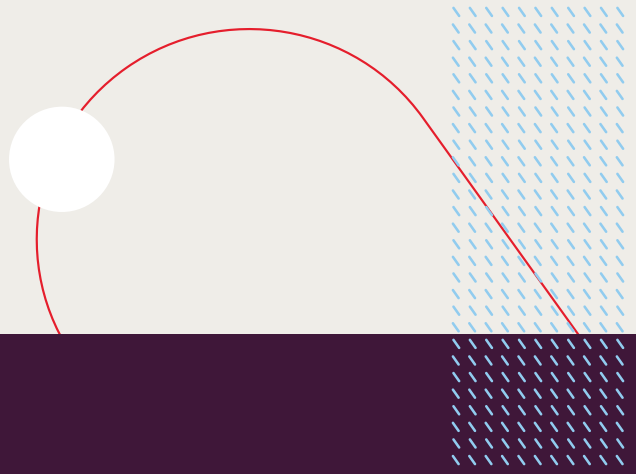
The visibility you gain by having accurate data allows you to monitor:

- Key performance indicators (KPIs) to ensure you meet expected target fill rates
- Items that may run into stock-outs
- Open purchase orders flagging items that are potentially overstocked
- How well your suppliers are performing

Raw ERP data is static and requires hours of manual manipulation to interpret, update and plan, with tedious processes working from complex spreadsheets.

Simply, the process entails:

1. Downloading data from your ERP into an Excel spreadsheet.
2. The inventory and demand planning team will work off the same spreadsheet, adjusting and updating the spreadsheet, and then,
3. Uploading the data back into the ERP system.



But, what could go wrong?

#1: You need accurate data to download data into your spreadsheet

Incorrect stock balances make it nearly impossible to plan effectively, resulting in inaccurate order recommendations. The following data is critical to planning your inventory:

- **Accurate stock balances** allow for easy calculation of the net available stock.
- **Up-to-date sales data,** including sales within the current month, enabling a forecast to be generated, reviewed and overridden.
- **In-progress transactions** such as outstanding purchase orders, customer orders, and internal transfers, preferably time-phased, so order recommendations are actioned when required.
- **Supplier ordering constraints,** such as minimum order quantity or minimum order value constraints, are necessary when calculating order recommendations.

#2. You need consistent data synchronization

Inventory spreadsheets consistently need synchronized data. When extracting, compiling, and consolidating information to feed into the spreadsheet (possibly even from multiple sources), the data must be relevant and synchronized. All of the "transactional" data must be extracted simultaneously.

For example, extracting stock balances at 9 am and outstanding purchase orders at 9:30 am might have severe implications for stock shortages and excess inventory.

- If the stock figure includes a purchase order (PO) received, but the purchase order data still shows that PO as outstanding, you have double-counted the quantity on the PO. If this happens, you could think you have enough in stock and on order, so there would be no recommendation to order when, in reality, you should be ordering.
- If the stock figure doesn't include the receipt of the PO and the PO was no longer showing as outstanding in the PO data, you could order too much, as you have no visibility of the quantity on the PO.

#3. You need correct inventory planning inputs

Another challenge is determining the correct planning inputs at a stock item level or item by location level.

Key inventory planning inputs...

- **Lead time:** the time from order placement until the item is in stock and available for sale.
- **Inventory classification:** whether the item should be stocked, non-stocked, or obsolete and showing the importance of each item.
- **Safety or buffer stock:** the dynamically computed stock level that is required to compensate for inaccurate forecasts and late delivery from suppliers.
- **Order cycle:** how frequently you plan to order this item.

Do the math on your spreadsheet...

Inaccurate data ⊕ Unsynchronized data ⊕ Inadequate inventory planning inputs = Sub-optimal order recommendations.

The manual process of uploading data to and from your ERP, while working on spreadsheets, places your business at risk.

CASE STUDY | ZHIK

Zhik supplies apparel to the watersports industry in more than 40 countries, managing their inventory on spreadsheets and using data from their Acumatica ERP.

> *Implementing Netstock as well as other process changes allowed us to complete our annual order cycle with our suppliers ahead of their yearly production capacity peak periods. Netstock helps manage our forecasts for each market and consolidates our global demand, providing us with recommended orders across our style range. What used to take weeks to refresh and review our data now takes a fraction of the time and allows us to make more timely decisions.*

Dan Watterson, Global Head of Operations at Zhik.

Download Zhik's story

zhik

With accurate data, Zhik has increased supplier visibility and improved fill rates.

3. Bridging the technology gap:
Your ERP software and inventory optimization

ERP software provides basic functionality, focusing more on stock control activities and identifying how much stock you have in the warehouse. ERPs typically provide "MIN" and "MAX" levels to calculate the quantity of stock to order.

ERPs provide a lagging indicator when something has gone wrong:

- You are out of stock of an item, and you cannot fulfill your sales obligations.
- You just received a purchase order, but it's too much, and you're now stuck with excess inventory.
- Halfway through the month, you run out of stock because your forecast was inaccurate.

Given the internal complexities of managing thousands of SKUs across multiple locations and ongoing external disruptions: can your business afford no visibility across its supply chain?

Or, would you rather have software that will notify you before any issues happen?

The spreadsheet headache...

According to a **McKinsey & Company** survey in 2021, close to ¾ of supply-chain functions still rely on spreadsheets. These leaders are aware they need to make significant changes, with 90% planning to implement a new solution.

Spreadsheets serve a valuable purpose in business. However, working off spreadsheets places your business at risk when you need to manage inventory. If the wrong information is inputted, incorrect orders result in stock-outs or holding excess stock or both! All situations will affect your cash flow and build frustration amongst your teams. Given that marketing, sales, and the inventory planning teams need to work together not having the right stock available to meet campaigns or new product launches will damage customer service levels and ruin your reputation.

The spreadsheet headache...

Limited collaboration: data errors occur when multiple people add and/or edit data on the same spreadsheet.

Human error: mistakes can be expensive. If you order too much stock, your business will have excess inventory on a slow-moving product.

Lack of security: increased cyberattacks can put your business and your customer's information at high-risk.

Inaccurate data: access to accurate information takes many hours to collate when consolidating data off many spreadsheets.

Static: spreadsheets can't enable agility, adjusting inputs to speed to market in response to disruption.

Does your business need a demand planning solution?

Your supply chain may be at the stage on the inventory maturity curve where you want to consider extending your ERP to provide better demand planning and forecasting functionalities. It's essential that you first review the effectiveness of your inventory planning to identify the need.

Step 1. Identify your supply chain challenges

Take a deeper look into the functionality and results you are getting from your current solution and establish:

1. *What are your inventory challenges?*
2. *Can your current system provide the necessary information and relevant recommendations to solve your inventory challenges?*

Ask yourself...

- Do you waste money by over-ordering inventory?
- Are you experiencing long lead times, or do you carry seasonally affected items?
- How often do you run out of stock?
- Do you have visibility of your suppliers' performance?
- How many hours per week or month does it take to extract sales and supplier data manually?
- Are you able to automate promotions and discounts?
- When you are about to run low on a stock item, do you get system alerts?

Step 2. Calculate your existing investment costs

If you are still managing your inventory on spreadsheets, calculate the workforce and hours it takes to plan your inventory and the monetary losses due to human errors.

Consider other vital aspects...

- How much money has mistakes cost your supply chain over the last 24 months?
- What is the current value of the excess stock you have on hand?
- How much extra transportation or freight costs have you incurred because you have stocked out of key items for your customers over the last 24 months?
- Do you know exactly how much money your suppliers owe you?

Source the best demand planning solution for your business, once you have identified your inventory challenges and calculated how much money you have lost.

What are the benefits of a demand planning solution?

- Gain inventory visibility to monitor KPIs like fill rate and stock holding.
- Automatically classifies each SKU according to sales velocity and profitability, so you know which items need urgent attention.
- The software will automatically calculate the right amount of safety stock you need based on each SKU classification.
- Receive up-to-date order recommendations automatically.
- Generate reliable forecasts that factor in trends and seasonality.
- Forecast for up to 24 months and build proactive inventory plans that anticipate and factor in extended lead times.
- Measure suppliers' performance and minimize lead time risk.
- Visibility of your bill of materials production, review and amend recommended purchasing plans/manufacturing.

A demand planning solution is an extension of your ERP.
The sophisticated technology will do the heavy lifting, distilling, and prioritizing the information, so that you can make quick, confident strategic decisions.

Best practices for implementing new demand planning solutions

Selecting the best demand planning solution for your supply chain shouldn't be taken lightly. Along with the pricing, feature availability, and benefits, you must consider the people using the software and their needs.

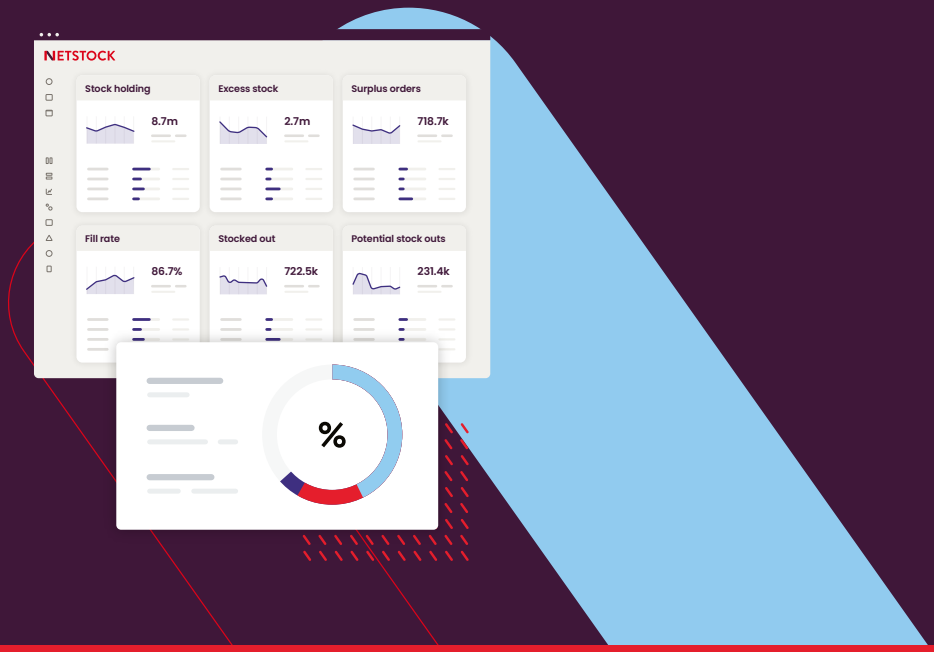
How will a demand planning solution support your goals?

Before selecting the right idemand planning solution for your business, the most critical step is clearly defining WHY your business needs this new solution. This may require input from other departments, such as sales, marketing, and finance, to ensure the software delivers the desired goals you have identified.

- What pain points must the solution solve in the business?
- What features should the solution have?

5 tips to encourage better software adoption...

1. Communicate why the demand planning solution was selected, explain the benefits, and the next steps with the whole business.
   a. Create a dedicated communication channel in your business for the new project where people can stay up to date with the progress or ask questions.
   b. Ensure each department in your business has regular updates in your meetings to reinforce the message.
   c. Consider a gamification process to keep the team engaged.
   d. Select advocates to help keep the team motivated.
2. Create a detailed project plan with timings and allow room for flexibility. Outline objectives, role players, and responsibilities and include a post-project analysis.
3. Assign a team to drive the implementation of the software solution and onboarding plan.
4. Develop an effective training program and review it, ensuring it's still relevant for your business.
5. Review and measure the key objectives set out in your project plan.



4. Your demand planning solution: Netstock

Netstock customers who ditched their spreadsheets are thriving!

With full visibility and control over their inventory, Netstock customers reduced inventory levels, navigated long lead times, and increased fill rates.

CASE STUDY | RYAN'S PET SUPPLIES

Ryan's Pet Supplies is an international business featuring top-quality pet care and grooming products. Drawing data from their **NetSuite ERP,** Ryan's Pet Supplies was trying to manually group and classify over 8,000 SKUs to manage them based on their performance. At a glance, they could not identify which SKUs were problematic and needed urgent attention. Their sales data consisted of numerous sales spreadsheets that had to be manually run, manipulated, and configured. This took a lot of time and frustration, and the lack of data for analysis soon became apparent.

> *"We implemented Netstock and finally had a single-window view of our inventory. The ability to make actionable decisions with the output data has been paramount; we can address multiple suppliers, locations, categories, and more, very quickly. We now have the ability to dial in figures to see the best possible turns with the least amount of excess."*

Matt Kovarick, Purchasing Manager
Ryan's Pet Supplies

Download full customer story

RYAN'S PET SUPPLIES®

Ryan's Pet Supplies has the visibility to evaluate supplier trends.

CASE STUDY | TAYSE RUGS

Tayse Rugs imports a large selection of rugs from Turkey and supplies eCommerce businesses like Amazon, Walmart, Home Depot, and large retail chain stores throughout the USA. Before implementing Netstock, Tayse Rugs users had basic functionality in their **Acumatica ERP** and spreadsheets to manage their demand forecasting. Using this manual method was time-consuming and the results were inadequate as they were frequently experiencing stock-outs.

“Using Netstock has enabled us to minimize our stock-outs and reduce our excess across certain SKUs. As a result, we now have a more balanced investment in inventory, and I would recommend Netstock to any inventory holding company.”

Taylan Sevimli, Tayse Rugs
Business Development Manager

Tayse Rugs reduces stock-outs and has a balanced inventory.

Download full customer story

CASE STUDY | AAI

AAI achieved a **99% fill rate** in their residential division.

AAI designs and manufactures innovative life-safety solutions to alert building occupants in an emergency and assist first responders. They distribute mainly throughout North America. With around 3,000 raw materials, which make up approximately 550 products, AAI managed their inventory on spreadsheets. Once integrating Netstock with their **Sage 100cloud ERP**, AAI was able to automatically classify their stock items and focus on the high-value, high-volume stock to ensure they didn’t over-order or experience stock-outs on key items.

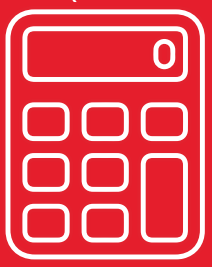
Download full customer story

“Implementing Netstock also highlighted our inefficient purchasing practices. We would buy whatever quantity we needed to get the best price. As a result, we would end up with thousands of parts, where we would only need a few hundred. Now that we classify our items by sales values and velocity, we know which are our bread and butter items and can focus on those first. We get daily order recommendations from the Netstock app, which has also contributed to making better purchasing decisions.”

Bethany Claps,
Materials Manager, AAI

Calculate the working capital you will free up when you implement Netstock.

Calculate My ROI



5. Conclusion: Your next steps.

1. Review your current reality, is your ERP system delivering the inventory outputs needed to support your business?

2. Calculate the impact of potential lost sales from having too much or too little of the right stock where possible.

3. Connect with your colleagues, find out their supply chain challenges and note where the lack of accurate information left sales and marketing campaigns with the incorrect amount of stock available.

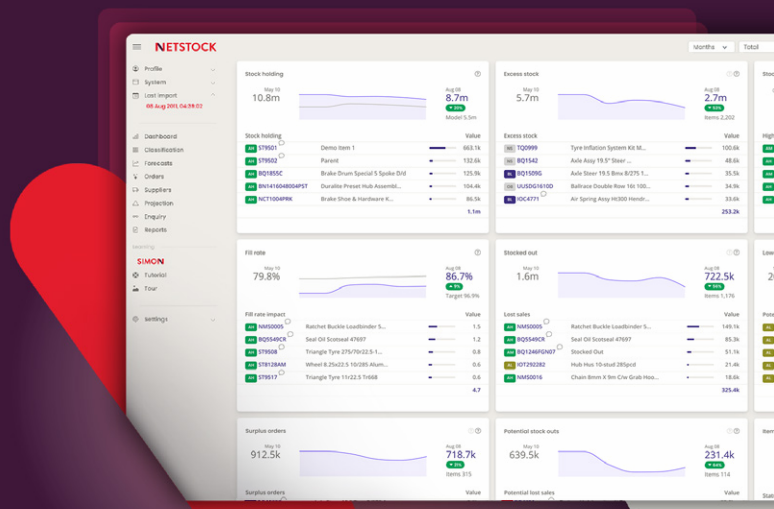
4. Invest in a demand planning solution that will enable your ERP system to become a power inventory planning tool.

5. STOP making these excuses:
   1. Our data is a mess right now - we have to fix that first.
   2. We have a few other projects going on right now.
   3. We don't have the time or budget for a project like this.

Be proactive and have more control over your future.

Get in touch with Netstock today.

Get in Touch



Netstock integrates with the world's leading ERPs.

ORACLE NETSUITE · myob · Sage · Acumatica The Cloud ERP · Microsoft Dynamics 365 · SYSPRO

SAP Business One · palladium BUSINESS SOLUTIONS · odoo · DEAR · Wise · Spire

About Netstock.

Netstock is a leader in demand and supply planning software, trusted by 2,400+ customers globally to optimize their planning. With $26B inventory managed by Netstock, the company's cloud-based solutions enable businesses to be agile, responsive, and profitable. Each solution integrates with leading ERPs, and leverages enhanced analytics so you can quickly respond to market change and make the best supply chain planning decisions for your business. For more information, visit the Netstock website: www.netstock.com.