

relationship of sales and inventory

Business



In order for your sales force to do its job, there must be enough inventory on hand to sell. A successful relationship between sales and inventory operations involves either a predictable rhythm of inventory turnover as a result of consistent sales, or dependable communication between the two divisions so the inventory department will know how much the sales department needs. In order for this system to function smoothly, the sales department must have a clear idea of how long it takes the inventory department to acquire more product, through production or ordering, and must plan its orders accordingly.

Consequences of an Imbalanced Sales to Inventory Ratio If your company has more inventory on hand than it can sell in a reasonable time frame, then it must expend resources to store and handle this backlog of product. In addition, buying too much inventory ties up capital that you could be using for day to day operations. If your company has insufficient inventory on hand to meet customer demand, you run the risk of losing customers by being unable to provide for them. **Background/Problems**

When materials are received or created in the factory they are packaged in some form of stock-keeping-units (SKUs, Packs, Handling Units) for ease of transport. Each pack is given a unique code (Pack number) for ease of identification. Packs can be coded in various ways e. g. as part of a batch; or unique pack numbers for each pallet, box, tote, container, stillage; or a unique serial number for each part. When inventory is created or received at goods in, pack numbers have to be generated and quantities of units packed recorded.

Typically bar-code labels are printed and attached enabling product to be located and moved in the factory or warehouse. Additionally isolations are managed at a pack level, allowing inventory to be quarantined prior to further investigation and decision making. Solution The Inventory module of Shopfloor-Online MES is able to: Create a record for each pack of inventory created (including semi-finished goods and finished goods) and automatically attach traceability details such as work centre, creation date/time, Production Order, and so on.

Create inventory records when goods are received and automatically attach traceability details such as supplier, supplier lot number, supplier traceability information. Automatically generate unique pack numbers in user defined formats Allow inventory to change state using a user defined set of states. For example inventory can be created, isolated, scrapped, released and shipped. The complete history of the state of the inventory is recorded, including who made the decision, when and where. Assist when inventory is isolated, to capture the reasons why for subsequent analysis Move inventory between locations and bins

Generate user defined FIFO keys, used in subsequent consumption operations to ensure oldest stock is consumed first Use best-before dates and use-after dates to ensure aged inventory is within requirements. Create a seamless link to other systems like the Warehousing system or ERP (e. g. SAP). When Used with Other Modules When the Inventory module is used in conjunction with other modules of Shopfloor-Online MES more opportunities open up. For example: Traceability - Consumption: with this module full

material traceability is achieved, track the consumption of inventory (raw materials and WIP) in the production of new materials.

Build Traceability: this takes traceability to the additional level of individual serialised part numbers
Warehousing/Logistics: receive planned in-bound deliveries and ship planned out-bound deliveries at an inventory pack level
Quality module: record the results of quality checks against individual packs (or serialised parts), increasing traceability to each individual pack
Customer Complaints: trace complaints from inventory pack number back through all aspects of production

The Objectives of a Sales & Inventory System

The objectives of a sales and inventory system should be oriented toward developing a rhythm for selling inventory on hand at a rate comparable to the pace at which it is being produced, so your company will have neither too much nor too little inventory on hand. If you work with perishable product, the need to develop an appropriate relationship between sales and inventory is especially critical, because you are liable to lose product that you do not sell in time.