

How To Achieve Perfect Physical Inventory

IN 10 EASY STEPS

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We simplify your manufacturing.™

Next time you meet someone in manufacturing ask them about their job.

Most of the time they will smile and their eyes will light up as they tell you about the sounds, smells, precision and skill it takes to make a part. Then ask them what they dread about their job and most of them will smile, laugh, and give you an eye roll as they say, “doing physical inventory.”

Physical inventory is the process a manufacturer goes through to count their entire inventory. Often, physical inventory is a requirement to achieve certain certifications or a financial or tax requirement. In many occasions, manufacturers that make parts for the government or defense contractors are required to perform physical inventory regularly.

“We are regularly audited on our inventory control processes to ensure everything is accounted for. Without Global Shop Solutions, that process would be next to impossible.”

- Mary Bly, Inventory Accountant, Matech Solutions

Physical inventory can often be referred to as the necessary evil of manufacturing. It is critical to perform this accurately in order to be profitable and deliver a quality part on-time every time. Over the years we have developed 10 steps to achieve perfect physical inventory.

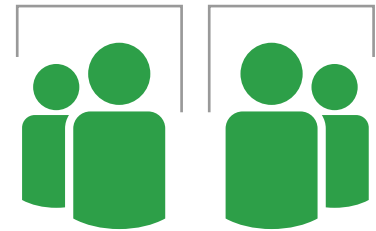
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Prepare and Plan Ahead.

Taking physical inventory can be an unwelcoming and daunting task requiring you to be prepared with adequate resources. Any lack of preparation or employee support may lead to a failed physical inventory.

I RECOMMEND AN “ALL HANDS ON DECK” APPROACH THAT WILL ENSURE YOU HAVE ENOUGH PEOPLE AVAILABLE TO COUNT.

It is much easier and a bigger morale booster to send someone home than it is to call someone in last minute. We recommend setting expectations early and discourage employees from taking personal time off on the day of the “big count.” Small morale and team building boosters like ordering in lunch help keep the team focused on the task at hand. Create “Inventory Teams” and pair two employees per team. Pairing up as teams allows one person to scan and input the counts as the second person actually does the counting of the parts. Creating these two-person teams is also a way to build comradery between employees, especially those that may not have the opportunity to spend time together.



CREATING TWO-PERSON “INVENTORY TEAMS” ALLOWS ONE PERSON TO SCAN AND INPUT THE COUNTS AS THE SECOND PERSON ACTUALLY DOES THE COUNTING OF THE PARTS—IT IS ALSO A WAY TO BUILD COMRADERY BETWEEN EMPLOYEES.

2 Identify Your Inventory.

Keeping your inventory labeled is an important step in controlling your inventory between physical inventories.

It is important to make sure the practice of [labeling](#) your inventory is not just done when you prepare/take a physical inventory. Labeling ensures that employees can identify the correct inventory when consuming it into jobs or shipping to customers. Barcode labeling in Global Shop Solutions helps make the job manageable. Global Shop Solutions has a built in integration with CODESOFT barcode labels that can be printed as transactions are being performed in the system as well as a partnership with [EMS Barcode](#) for your hardware. System-generated inventory labels eliminate hard to read, hand-written labels. The barcodes enhance the labeling experience by allowing mobile transactions to be performed in real time on the shop floor or the warehouse where inventory is stocked.



**SYSTEM-GENERATED
INVENTORY LABELS
ELIMINATE HARD TO READ,
HAND-WRITTEN LABELS.**

3 Freeze Transactions and Inventory Movement.

Taking physical inventory is a challenging process in itself, but chasing a moving target must be avoided. Inventory movements need to be frozen during the counting process with no exceptions.

4 Minimize Downtime (Time Is Money).

Long gone are the days where you had to print a count sheet and handwrite down the counts, collect inventory tags, and input the counts into the system.

When it comes to taking a physical inventory with Global Shop Solutions ERP software, count teams can quickly and easily record their counts wirelessly by scanning barcode labels and recording electronic counts direct into the Global Shop Solutions physical inventory system through our [GS Mobile software](#). This process can drastically reduce the physical inventory count time from start to finish by at least half, as well as improve the accuracy of the counting process.

“

We saved thousands of dollars and hundreds of hours of labor time with Global Shop Solutions by not having to shut down for two whole weeks while we count inventory.

Marie Yates, IT Manager, Mum Industries

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5

Accuracy Is Important.

WHAT IS THE POINT OF A PHYSICAL INVENTORY IF THE COUNTS ARE NOT CORRECT OR CAN'T BE TRUSTED?

Inventory accuracy starts with ensuring physical counts are taken with confidence. Barcode labels and scanning barcodes help ensure the right counts are recorded for the right part. Similar parts are correctly identified and recorded in the count.

6

Monitor Counts.

"INSPECT WHAT YOU EXPECT."

The management team should be available to help with any inquiries on the floor as they arise.

They should also make sure the integrity of the counts are maintained. It doesn't hurt to perform some spot checks on how the teams are counting to ensure accuracy. When it comes to company audits, spot checks are normal. Prepare yourselves by performing this activity.

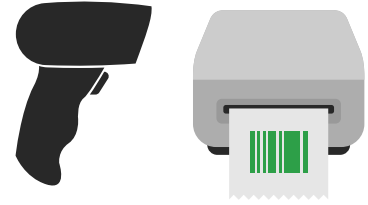


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7 Identify What Has Been Counted.

Implement a method to mark off or flag an area that has been counted. There is no right or wrong way of doing this.

For example, some companies will tape off sections with brightly colored tape. With GS Mobile Physical Inventory, you can print physical inventory labels as you scan and count the inventory. With a handheld scanner and wireless hip printer, counting and tagging counts are made simplified and efficient.



**WITH A HANDHELD SCANNER
AND WIRELESS HIP PRINTER,
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COUNTS ARE MADE SIMPLIFIED
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8 Review Count Variances Closely.

Using the GS Mobile physical inventory process, the physical inventory count variances can be reviewed from a physical inventory variance report generated from the system. This report can be printed at any time during the count. Material variances should be identified and discrepancies double-checked.

9 Commit Counts.

Once the count is verified and confirmed accurate, commit the count changes to the inventory system.

10 Open For Business.

NOW EVERYONE CAN GET BACK TO MAKING AND SHIPPING PARTS WITH ACCURATE INVENTORY NUMBERS.

With GS Mobile physical inventory and CODESOFT barcode Inventory labels, physical inventory does not have to be a painful process but yet a welcomed bi-annual or annual event.

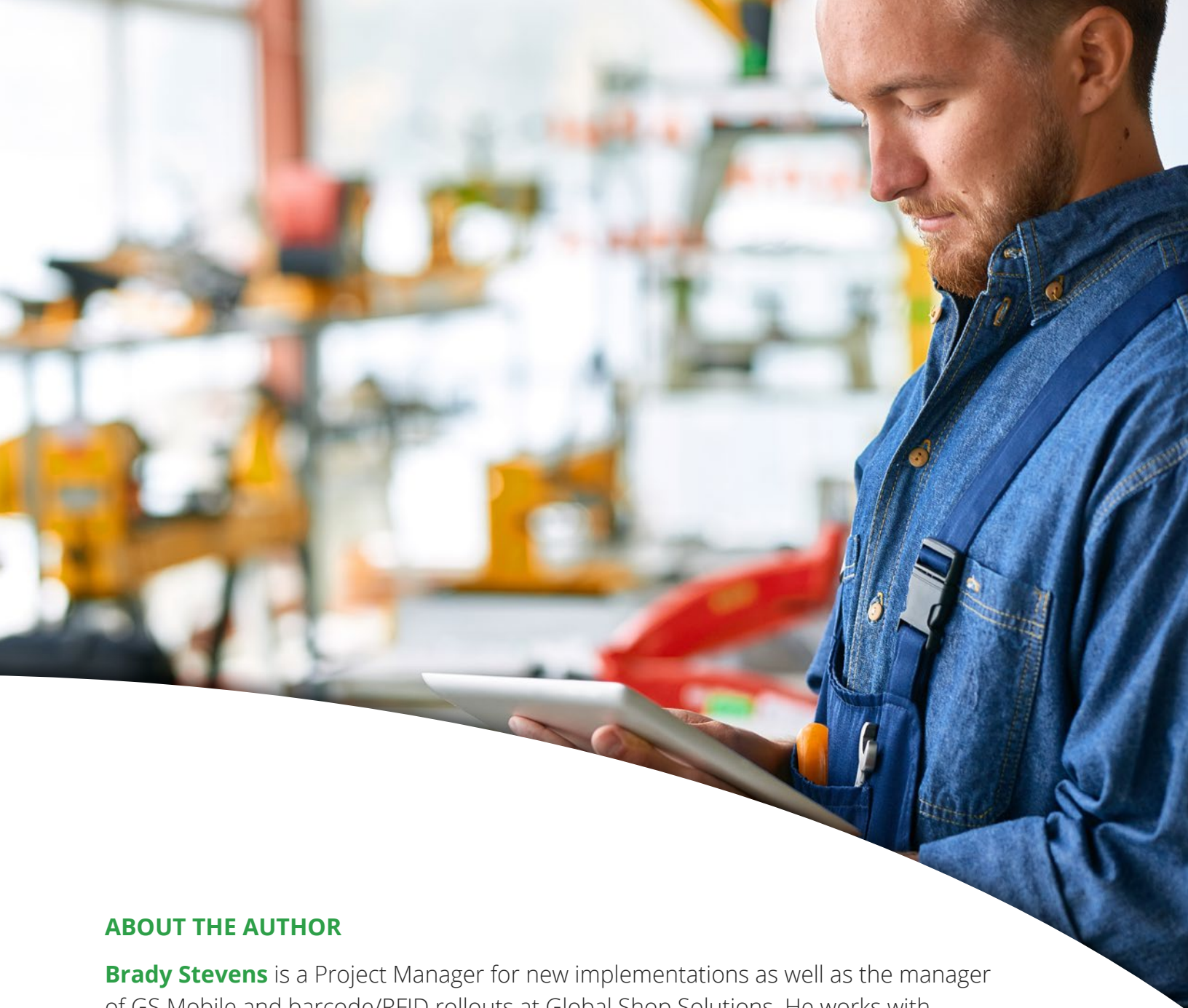


Achieve Perfect Physical Inventory In 10 Easy Steps

Use the following checklist as a quick reference guide to achieve perfect physical inventory.

1. Prepare and Plan Ahead
2. Identify Your Inventory
3. Freeze Transactions and Inventory Movement
4. Minimize Downtime (Time is Money)
5. Accuracy is Important
6. Monitor Counts
7. Identify What Has Been Counted
8. Review Count Variances Closely
9. Commit Counts
10. Open for Business





ABOUT THE AUTHOR

Brady Stevens is a Project Manager for new implementations as well as the manager of GS Mobile and barcode/RFID rollouts at Global Shop Solutions. He works with new and existing customers to help simplify processes. His accounting and technical backgrounds provide a toolkit that is valuable for customers looking to incorporate controls into their processes around mobile materials management and barcode/RFID labeling solutions.

To learn more about how to achieve perfect physical inventory in 10 easy steps, call 1.800.364.5958 or visit www.globalshopsolutions.com.