Inventory Management Reporting

TLC Technologies leverages the OneStream Software Platform to identify and quantify the cost and efficiency of Inventory Management

This allows organizations to tweak their existing methods for further cost savings or rethink the entire method based on the result. It is well known that inventory sitting on shelves costs money. It exposes the owner to a number of risk factors including obsolescence, shrinkage, spoilage, change in buyer preferences, etc. How inventory is managed can increase or decrease those risks significantly.

Inventory Management is defined as the process of ordering, storing, using, and selling an organization's inventory. This includes the management of raw materials, components, sub-components, and finished products, as well as warehousing, processing, and shipping of such items.

Some organizations have developed their own specific inventory method, but in general, there are 4 main types of inventory management methods each with their strengths and weaknesses.

Inventory Management Methods

Just In Time (JIT) Determines the exact amount of inventory to keep on hand needed for production or output over a set time period. A well-known example is auto manufacturing, where the part arrives on the assembly line just as it is needed. This method reduces the cost incurred to dispose of excess inventory and lowers insurance costs. Suppliers are also able to maintain their price levels as any stoppage to renegotiate would halt production. The downside is that even a slight delay in the supply chain can shut down production. Increases in demand can also create a challenge.

Materials Requirement Planning (MRP) is based on a sales forecast. The accuracy of that forecast is critical to ensure the proper level of inventory is available to meet demand. A frozen pizza producer, for example, would take the sales forecast and purchase the required amounts of dough, cheese, and sauce. Any significant variance above or below actual demand will have a domino effect given the short shelf life of those ingredients or missed opportunity if demand was higher.

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Economic Order Quantity (EOQ) calculates the number of units an organization should add to its inventory with each batch order to reduce the total costs of its inventory while assuming constant demand. This method takes into account inventory setup and inventory holding costs to ensure that the right amount of inventory is ordered per batch so an organization does not have to order too frequently and there is not an excess of inventory on hand. It considers that there is a trade-off between inventory holding costs and inventory setup costs. Using our Frozen Pizza example, the setup, time, storage temperature, and holding costs vary greatly for dough, cheese, and sauce. Not proactively managing these variables may result in high rates of spoilage and associated high costs. This method does not factor in anticipated demand, demand is constant, which is not realistic for most organizations.

Days of Sales in Inventory (DSI) is a calculation showing the average number of days it will take an organization to deplete inventory and trigger a re-order. Based on potential unknowns in the supply chain, many organizations have added a time buffer to account for any bottlenecks that may arise in the process. Like EOQ, this method is based on actual results and does not account for anticipated demand and therefore carries the risk of inventory shortage with an increase in demand. Conversely, it provides a buffer to avoid overinvesting in inventory should there be a decrease in demand.

Many organizations use a combination of methods

Regardless of the method(s) you deploy, TLC Technologies can provide you with easy-to-use reports and dashboards generated from OneStream Software to assess the health of your inventory management process. Data can be imported from any number of existing inventory management software systems, supply chain systems, and ERPs or G/Ls. The power of OneStream allows precise calculation and analysis regarding the health of your inventory across multiple product lines, divisions, or geographies. Whether you are calculating inventory turns, inventory costs, purchase price variance, spoilage, shelf-life, shrinkage, margins, product profitability, or the overall impact on your bottom line, TLC and OneStream can help you to better employ precious resources to optimize revenues and minimize costs.

Additionally, inventory managment doesn't only apply to manufacturing. Airlines, railroads, and cargo transports do not make money when vehicles sit idle, just as services companies do not make money when staff members sit idle. Regardless of your industry, TLC and OneStream can help you to better utilize precious resources to optimize revenues and minimize costs.

If you would like to find out more, please contact our TLC Partners, John Ambrose or Robert Fitzgerald at jambrose@tlctechnologies.com and rfitzgerald@tlctechnologies.com.