INVENTORY BUYING STRATEGIES

Ordering new stock for inventory can be a daunting task. Order too much or too soon and you end up with more stock than you need sitting in the warehouse and tying up your asset dollars. Order too little or too late and you run out of stock and are forced to backorder orders from customers. You must also take into consideration vendor minimums as well as lead time from the factory once the order for new stock is placed.

Collecting buying information

Lakeshore collects some data that is useful in helping you determine when to buy merchandise.

♦   **Demand/Usage**   As you ship merchandise, the total quantity used of each item/color/size combination is accumulated to give you the total used or the "demand" for each month.   You can display or print this information.   This type of data is especially useful for seasonal items as you can see the ups and downs over the span of months.   You can print the Item Demand report to review this data.

♦   **Lead time**   Part of the buying process requires that you know how long it usually takes between the time you place the order and the date the order arrives.   We call this time the "lead time".   The system will automatically accumulate data on the lead time of the last three orders.

There are also some values you can set that will help you in the buying process:

♦   **Minimum**   To prevent backorders, the minimum is the lowest quantity you want to keep in the warehouse.   It would normally represent the quantity that you would normally use between the time you place an order and the time you receive an order.   For example, if an order usually takes 30 days to arrive and you sell an average of 10 shirts a month, you might want to set a minimum of 10-12 shirts.

Setting the minimum is somewhat of a judgment call.   You may want to set it low if the item is easy to replenish or the "cost" in customer service if you run out is low.

You want to set it higher if you get the item from another country, there is a lot of variation in lead time, the item is in high demand, or if your customer does not want to have backorders.

♦   **Maximum**   Although not strictly needed for the buying process, you may also want to set up a maximum amount you want to have on hand to avoid over buying.   You can print the Over/Under Stock report to list items that are over their maximum.

♦   **Standard order quantity**   You may specify the quantity you normally buy.   This quantity should take into account lead time, vendor minimums, vendor's price breaks, and the difficulty of getting a new order delivered.

This field is especially useful if you want to delegate the buying process to a clerk who is not familiar with these factors.

The minimum, maximum, standard order quantity and lead times are all updated on a single screen.

Go to

> Inventory
>> Miscellaneous adjustments
>>> Enter minimum/maximum, reorder

Buying report

All of the information discussed above come together on the Buying report (sample at end of this section). This report will give you the information you need to determine which items need to be purchased.

In addition to the data fields described above, there are a couple of calculations done especially for this report.

The **net quantity available** is calculated as

> Quantity on hand
>> minus   quantity on customer orders (allocated and backordered)
>> plus   quantity on existing orders for stock

The **average monthly usage** is calculated by adding up the quantities shipped during the last year and dividing by 12. The average usage for the last 3 months and the last 6 months are also calculated. If they differ by more than 25% from the annual number, the usage value is flagged on the report with an asterisk. This would indicate that the usage numbers on the items are variable.   Seasonal merchandise or new products without much history would probably trigger this flag.   If the item is flagged, you may want to review the usage on the item by printing a Demand Report.

The **stock out date** is the date the system projects you will run out of stock based on the net available quantity and your average usage.

The **"reorder by" date** takes the stock out date and subtracts the average lead time.   So if your stock out date is 7/15 and your average lead time is 10 days, then you need to reorder by 7/5 to maintain your minimum stock quantities.

The **"last until" date** calculates how long your new stock will last.   It is only calculated if you have a standard reorder quantity specified.

Items can be selected for inclusion on the report based on three different buying strategies:

♦   **All items in group selected**

You can ask for all the items that you purchase from a certain vendor or for a certain program and review all of them at once. This lets you find not only items that need to be ordered right now but also find others that may be close to needing to be replenished.   Both groups can be added to the same order.

♦   **All items under minimum**

All items that have the net quantity available that is less than your minimum will be included on the report.

♦   **All items with stock out date before designated date**

Items with a calculated stock out date that is on or before the cutoff date you specify will be included on the report.

To print the buying report, go to

Inventory
          Print inventory reports
                    Status/Buying
                              Buying report

Sample of buying report

RUN DATE 5/15/08 – 10:00 AM   LAKESHORE GROUP. LTD.   Page 1
                                               BUYING REPORT

Item number	Description	Color	Size	Quantity on hand	Quantity committed	Quantity on order	Net Quantity	Minimum	Average monthly usage	Stockout date	Lead Time	Need to reorder by	Reorder quantity	Reorder lasts until
A–01	ACADIANA CAP	07		500	0	0	500	100	250	7/15/08	10	7/ 5/08	1000	11/ 2/08
A–01	ACADIANA CAP	08		450	0	0	450	100	240	7/11/08	10	7/ 1/08	1000	11/ 3/08
A–02	ACADIANA VISOR	07		89	0	0	89	50	55	7/ 5/08	12	6/23/08	500	10/15/08

Generate Orders for Stock

Once you identify items that need to be reordered, you can generate an order for stock, a "decorate for stock" order, or an order for consigned goods, whichever is appropriate. This can be done manually with one order for each vendor from whom you need to purchase items.

Since this can be quite tedious, a new function was added in Version 11 to simplify the generation of these orders. This function utilizes the same selection criteria as the buying report. However, instead of generating a report, the items selected will be listed on the screen. You can select which ones need to be ordered, then click a button to have all the orders generated.

There are a few fields on the item set up screen that you can set up in advance that will make this new function work even better.

Primary vendor	This is the vendor from whom you will purchase the item or from whom you will purchase the blank goods you will decorate for the new item.
Primary decorator	If the merchandise is decorated by someone other than the vendor from whom you purchase the blank goods, enter the decorator's vendor number.
Customer	If this item is a consigned goods (customer-owned) item, enter the customer who will be billed for the restocked items.
Item number of blanks	The item number for the blank item. Use your item number if you pull the blank goods from inventory. Otherwise, use the vendor's item number.

You can still use the function if you don't have these fields set up but you will have to fill in the data manually.

On the screen, information about each item selected based on the criteria you entered will be displayed.

A **quantity needed** will be suggested. This quantity is based on the net available, the item's minimum, the vendor's minimum and the vendor's multiple. For example, the first item in the example below has a net available of -2034, a minimum of 50 and a vendor multiple of 12. The quantity needed would be calculated as 2034 (to get to zero) plus 50 (to get to the minimum) = 2084. Then, this will be rounded up to 2088 to meet the vendor multiple requirement.

You can click on the "clipboard" icon to copy the suggested quantity needed to the quantity to be ordered field or you can enter a specific quantity of your own.

Three types of order can be generated—order for stock, decorate for stock, or order for consigned goods.

♦ An **order for stock** will be suggested if the item is not consigned goods and there is no decorator assigned.

♦ A **decorate for stock** order will be suggested if the item is not consigned goods and there IS a decorator.

♦ An **order for consigned goods** will be suggested if the item is marked as a consigned goods item.

You may change to one of the other type orders if appropriate.

The vendor, decorator, customer, and blank goods item number from the item file will be shown if available. If any of these were not entered there, you may enter the information on this screen. Or, you can change the information if you want to place this order with someone else. Any changes you make will apply ONLY to the orders generated from this function and will not be posted back to the item file.

One order will be generated for each combination of type of order, vendor, decorator and/or customer.

Any items displayed on the screen for which you didn't enter a quantity to be ordered will be ignored.

All the orders generated will be listed on the screen with a link so you can update each one. As you update an order, the word "Reviewed" will show below the order number link so you can tell which ones you have reviewed and which ones you haven't.

To use this function, go to

Order Processing
      Add/Update Orders
            Generate Orders for Inventory Stock

Screen shots of the data discussed above are shown on the next few pages.

Item set up

Type Item:	Regular Inventory ▾	
Creation Date:	1/01/88 🖋	*Leave blank if none*
Expiration Date:	12/31/01 🖋	*Leave blank if none*
Customer's item number:		
Item number of blanks:	🔍 📝	

Item number of blanks

Pricing Information:

Pricing Unit: 🔍

List/Catalog Price: 1.50   **Discount Code:** D 🔍   **Percentage** 35.00

Current Cost: 1.40

Reference Cost:

Minimum Quantity:	Unit Cost:
1	1.55
100	1.30
200	1.28
500	1.25

Selling Price:

Minimum Quantity:	Unit Price:
1	1.50
100	1.45
500	1.40
1000	1.35
2000	1.34
3000	1.33
4000	1.32
5000	1.31
6000	1.30
7000	1.29

Price class: 01 🔍 🖋   Widgets

Taxable? ☑

Selling restrictions: **Multiple:** 1   **Minimum:** 1

G/L Account: **Sales:** 30000 🔍 🖋   SALES

Cost of Goods Sold: 14000 🔍 🖋   INVENTORY - BEGINNING BALANCE

Other Information:

Primary Vendor: 900000 🔍 🖋 📝 📦   WIDGETS, GIZMOS, & GADGETS

Primary Decorator: 033140 🔍 🖋 📝 📦   GULF SOUTH PRINTING

Customer: 100000 🔍 🖋 📝   ATTENTION!

Program number: 🔍 🖋

Inventory Types: 1: 001 🔍 🖋   2:

Vendor for blank goods
Vendor for decoration
Customer (if customer-owned)

Flags: Flag #1 N   Flag #2

Row	Item Number	Description	Item Details	Quantity to Order	Vendor
1	W-1	WIDGET	Available: -2034 Our Minimum: 50 Standard Order Qty: 100 Vendor's Minimum: 144 Vendor's Multiple: 12 Needed: 2088	Type Order: ● Stock ○ Decorate	Vendor: 900000 WIDGETS, GIZMO
2	W24	WIDGET color assortment	Available: -1 Our Minimum: 50 Standard Order Qty: 1440 Vendor's Minimum: 1 Vendor's Multiple: 1 Needed: 1440	Type Order: ○ Stock ● Decorate	Vendor: 900000 WIDGETS, GIZMO Decorator: 033140 GULF SOUTH PR Blanks Item #: W24 WIDGET
3	W25	ATTN Widgets	Available: -100 Our Minimum: 144 Standard Order Qty: 1440 Vendor's Minimum: 1 Vendor's Multiple: 1 Needed: 1440	Type Order: ○ Stock ○ Decorate ● C/G	Vendor: 900000 WIDGETS, GIZMO Customer: 100000 ATTENTION!

Submit   Reset   Exit

New Orders for Inventory Stock

Order Number	Vendor	First Item
709166 Reviewed	WIDGETS, GIZMOS & GADGETS 2347 Laurelwood Baton Rouge, LA 70816-2215	2100 WIDGET
709167	WIDGETS, GIZMOS & GADGETS 2347 Laurelwood Baton Rouge, LA 70816-2215 **Decorator** GULF SOUTH PRINTING 1129 E. VERMILION LAFAYETTE, LA 70501	1440 WIDGET
709168	WIDGETS, GIZMOS & GADGETS 2347 Laurelwood Baton Rouge, LA 70816-2215 **Customer** ATTENTION INTERNATIONAL 5723 Superior Suite A2 Baton Rouge, LA 70816	1440 ATTN Widgets

Exit