

Getting an Accurate Inventory with your New Point-of-Sale System: Methods, Options & Suggestions to Keep it Simple.

Okay so you finally did it, you decided to get a point-of-sale / inventory control system. You always knew that *IF* you had a Point-of-Sale system you would know *exactly* what quantity of items you have in your store; you would know *exactly* what items to reorder, and when. You would know *exactly* what your costs were and *exactly* how much your profit was for the day, week or month. But after you purchase the software and hardware, how do you get *exactly* what information into the system? Consider the situation, it is like trying to hit a moving target. Even if you could figure out what your inventory was at some point, inventory is constantly changing as items are sold and new items received through the day.

What you need is a sound strategy and perhaps some options to help you determine what might work best in your particular situation.

The Easiest Method: Let Someone Else Do It.

You may want to consider one of two options. First, there are an increasing number of professionals who know and understand the entire point-of-sale and inventory control process, they have experience so no time is wasted trying to, “reinvent the wheel”. They may have even read this article for some tips! One word of caution however, what you require in order to have an accurate inventory control system is not just hardware and software that functions together. Many technology consultants, know computers and programming like the back of their hands, but inventory control is very much an accounting type of function; it is a process that is largely independent of the technology going on around it. Therefore, the word of caution, if you have a sizeable inventory read this article and fully understand your options, then ask questions of any professional you are considering hiring, and get references if possible.

Still in this category of: “letting someone else to it” is the unique solution offered by the CREST™ POS system (an acronym standing for: Complete, Retail, Electronic Sales Terminal) from *Point-of-Sale Systems*. This is a complete hardware, software product that comes fully configured, that is setup with your vendors, customers and inventory items; plus you get step by step instructions to insure complete accuracy. You can find out more by visiting the Point-of-Sale Systems’ web site, www.point-of-salesystems.com or calling: (866-POSSYSO)

Other Methods to Establish Inventory:

	New Store	Existing Store
Small Inventory	Input from Invoices	Audit, costs from invoices, track adjustments
Large Inventory	Input from Invoices	Input from invoices, Audit & adjust

Quite honestly, this table or matrix shows exactly the methods used by Point-of-Sale Systems when they do it so lets look at the methods in detail.

First you will notice that the matrix is divided into new and existing store, and then small and large inventory. The “New Store” assumes that the store has not yet opened for business this means that inventory is only moving one way, that is increasing which makes tracking very easy. The “Existing Store” is open for business and thus inventory is changing two ways, increasing as new purchases are received and decreasing as sales are recorded.

Small and large inventory size is by nature subjective but not without criteria. The typical small inventory would be that in a women’s clothing boutique, the entire inventory could be audited by hand in a few hours by just one clerk. On the other end of the spectrum is the retail food grocery store, which combines a meat department, produce department, general grocery and health and beauty department. Such a large store will have thousands of items, and sell to hundreds of customers every day. Basically, your store is at either end or somewhere in the middle, you will need to determine which model you are closest to. Let’s look at the different approaches from the easiest to the most complex.

New Small or Large Store Method

As mentioned this is the easiest because inventory is moving only one way, increasing, and there is not very much of it. Here, the solution is to put the point of sale system in place as soon as possible, ideally before inventory is even ordered. This will enable you to first determine and set up your inventory departments, then vendors and inventory items as they are ordered. It is very easy to input cost, case size, price break quantity, make minimum reorder quantity decisions in a slower, vendor by vendor basis rather than all at once. It simply is then left to receive the inventory against the

open Purchase Order, closing it and printing barcode labels if necessary. Such, well-in-advance planning will also allow plenty of time to have owners, managers and clerks become proficient in the POS System.

Even if the point-of-sale system is put in place after inventory is ordered, but before the store opens, it is a relatively simple process to determine and set up inventory departments, then set up the vendors and inventory items by working from proforma or actual invoices received from the vendors.

Existing Small Store Method

The approach here assumes that majority of inventory items in the store are not reordered, that is inventory items are constantly changing due to changing seasons, styles etc. Under these circumstances it is usually easier to have the inventory audited/counted noting the information necessary to create the inventory product code (if not using UPC codes) and provide: a) inventory department, b) product description, c) vendor, d) cost, e) price, f) taxable status. It is usually easiest to audit by department and it is best if the audit is done while no customers are present purchasing inventory, therefore a precise amount for inventory is known as of a date certain. If it is not possible to complete an audit while the inventory is static, it is then necessary that an accurate record be kept of the items being purchased, noting sufficient information so that when the audit when finished with the department by department count, it can then be adjusted downward. (See the forms following this article for practical examples.)

The keeping of a record of items purchased then continues until the point of sale system is installed and brought into use. Once the audit is complete the product codes can be created if necessary and the inventory records for each item can be created in the POS program. It is usually necessary to review prior invoices for cost data. Once the POS database is complete/accurate as of that prior date it is simply a matter of adjusting the inventory amounts from that prior date to the current date by using the information gathered during the intervening period for both sales (inventory, out) and purchases received (inventory, in).

It is actually an excellent training tool to enter the inventory adjustments for sales as actual sale transactions in the POS system. If customer information is available the customer database can even be updated, if that information was not recorded, then simply use the default cash customer that virtually all POS programs provide.

Existing Large Store Method

With large stores the process just described for existing small stores is reversed, that is first invoices are reviewed first to create the inventory records and a zero quantity is recorded at the time of the record creation. Then an audit is performed and the quantity is updated. The audit should be done by department, and the inventory counts brought back to the POS system for input throughout the audit. Since most large stores will have multiple POS stations personnel can be organized by department to complete the task.

The Slow but Painless Method

For those that just dread the thought of the audit process and the organization involved, there is an alternative, but inventory will not be accurate for a significant period of time. This method involves creating the inventory items using information from invoices and leaving the quantity as zero. Then as of the POS system implementation date, Purchase Orders for new inventory items are used, so that new inventory items are recorded and sales are made by overriding any "Zero Quantity" or "Out of Stock warning message in the POS system.

In stores with constantly changing inventory (or inventory with created product codes that have a time aspect built in), it is simply a matter of waiting until all old inventory is sold, "turns". Then all negative quantities are edited to zero and accurate sales and inventory information is available from this point forward. In stores which reorder the same inventory it will be necessary to count inventory items, but this can be done a few at a time. Just use a logical plan that will eventually count the entire inventory from beginning to end. As spot checks of inventory should be done on a regular basis anyway, as part of a good inventory management strategy, this should present no problem.

We have seen now a number of different strategies and methods to use for obtaining an accurate inventory. Because each individual situation is somewhat unique, it is often necessary blend some of the concepts and ideas presented here. In any event the result of an accurate inventory has huge advantages in terms of shrinkage reduction, pricing and profitability decisions and in simplifying the reordering process, just to name a few benefits.

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