Introduction

Inventory Management Systems is a key instrument for businesses when tracking their inventory. Typically, Inventory Management Systems are used by firms that either sell a product or manufacture a product for purposes of accounting for all the tangible goods that allow for a sale of a finished product, or parts for making a product. The size and volume of a firm help dictate whether or not a firm is in need of such a system as they can be quite extensive and costly. Large firms that have thousands of components must have a system in place for the primary objective of tracking their assets. There are three main reasons why an Inventory Management System is needed such as timing/lead time, forecasting, and utilizing economies of scale.

Abstract

A main part in implementing an Inventory Management System is the component of software. Software is the instruction for hardware that is on the computer side of the five-component framework of developing and using an information system. The system usually runs on a remote server and then the data is delivered to clients via the internet. A software solution has a flexible scalability so as the business grows, so can the inventory control solution. Today, there are many different types of software solutions that are available to assist in managing inventory within a firm. Before being able to utilize a system efficiently there are many factors that need careful consideration. The goal for the firm should be mapped out by both management and employees so that everyone understands the results they are hoping to get with the inventory control solution. There are a few ways to go about implementing the system. First, realize that the reason the firm needs to implement a new system is to help the people in the business achieve their goals and objectives. Although the software solutions will be able to run substantial amounts of data through different reports and analyses, the firm must understand what exactly the software solution will need to do for them to help the business grow and be successful. If the business does not realize the need for inventory management and fail to recognize that using a software program will help them keep track of their numbers and forecast production, then it will be of little use to them overall. Second, after mapping and thinking about how the software solution should organize the data, there should be a large amount of investigation of all the various inventory control systems that are available. Many companies offer

demos to the business to help them try it and see if it will fulfill their inventory control needs. The demos will show them all the different reports that can be done, as well as, get the users familiar with the technology and see if it is something that they feel everyone could understand and use. There are different costs associated with every different software company. The most common pricing is per user that will be needed. Some software solutions offer a flat price for unlimited users, and other charge a specific price depending upon how many users there will be.

Decreases Inventory Costs:
When you know how much stock you have and how much you need, you can pinpoint inventory levels more accurately, thereby reducing storage and carrying costs for excess merchandise. Other savings include shipping, logistics, depreciation and the opportunity cost that comes from not having an alternative product that might sell better.

Minimizes Out-of-Stocks:
To avoid disappointing customers and missing sales, retailers want to avoid running out of inventory. Retailers can use inventory management tools to determine how much stock is “just right” to have on hand, neither too much nor too little. This amount will be larger for bestsellers than for unpopular products. Also, with real-time information on sales and stock, retailers can react quickly by reordering, transferring stock from another location or drop shipping to the customer.

Improves Profit Margins:
With lower inventory costs and enough supply to fill every order, retailers improve profitability.

Prevents Spoilage and Obsolescence:
Inventory management helps retailers address another costly inefficiency that happens when products expire or become obsolete. This phenomenon can apply to perishables that have a limited shelf life, such as milk and meat, or a non-perishable that becomes obsolete because consumer tastes and technology change. For example, season collections or holiday-specific packaging. Or when a piece of consumer technology adds a popular new feature, the old models may face plummeting demand: Consider how the rise of smart televisions sunk demand for models that weren’t capable of streaming content.

Improves Multi-Channel and Omnichannel Performance and Order Fulfillment:
If you are selling via physical stores, your website and third-party merchants, it can be difficult to keep correct inventory counts across all channels. Having accurate inventory data across selling channels lets you use your inventory more efficiently, ultimately getting the product to consumers faster.

Simplifies Processes and Facilitates Growth:
Strong inventory management also reduces friction in your systems as sales grow. Shipping, receiving and order fulfillment run more smoothly, and you minimize errors, customer complaints and staff stress.

Improves Customers Satisfaction:
When customers get the products they want faster with fewer mistakes or out-of-stocks, it increases customer loyalty.

Improves Forecasting:
You can use data such as historical sales results and available inventory to project future sales, growth and capital needs. These forecasts are vital to your budgeting and guide spending for marketing, product development and staffing.