A Guide To Distribution With ERPNext

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Welcome

Hello there, welcome to the ERPNext Distribution setup guide. In this document, we will guide you through the distribution cycle and help you get up and running with your inventory and distribution in ERPNext.

1. Key Features

ERPNext is a great fit for distribution companies and helps you manage your inventory across multiple currencies and companies. Here are some of the core scenarios which can be managed using ERPNext.

- Track fulfillment of orders
- Reduce erroneous procurement of inventory
- Control stock levels
- Track serialized and batched inventory
- Apply promotional schemes
- Simplify your distribution business smartly
- Set up and integrate your Amazon, WooCommerce, or Shopify account, and start selling your merchandise

2. Setup

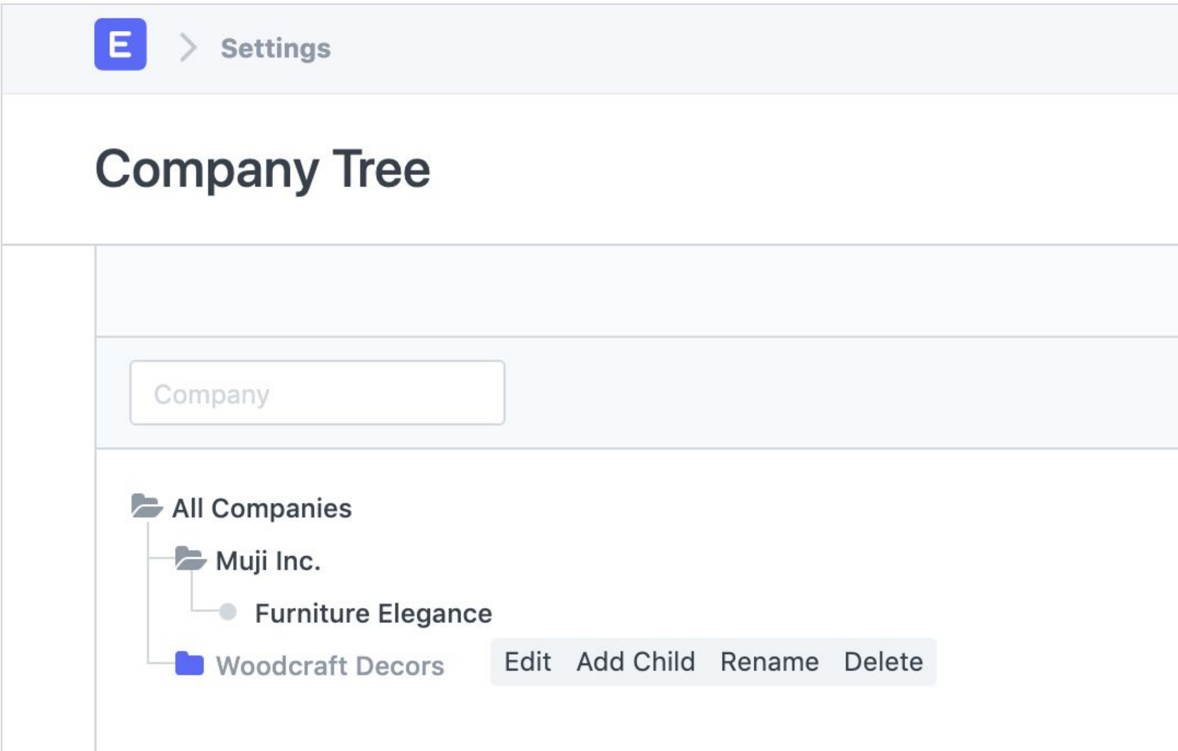
To initiate transactions in your sales and purchase cycles, here are some of the masters you must ensure are configured properly.

2.1 Company

As soon as your ERPNext account has been created, the first company is auto-created. Along with the company, it also creates a default Chart of Accounts for it. In the Company master, you can add more default Accounts as per your preference. At an advanced stage, you can also set up a multi-company hierarchical structure.

To access the Company DocType in ERPNext, go to:

Home > Accounting > Company



To know more, click on the link below:

[User Manual]

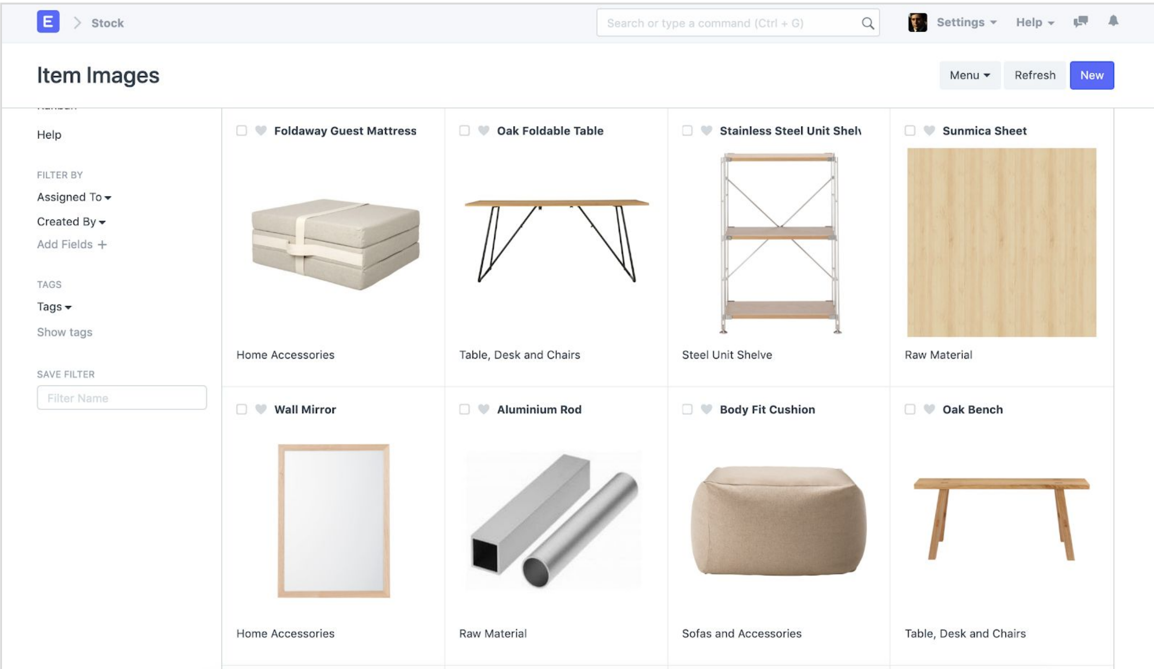
2.2 Items and Pricing

An Item is a product or service offered by your Company.

The term Item is also applicable to raw materials or components of products yet to be produced (before they can be sold to customers). ERPNext allows you to manage all sorts of items like raw-materials, sub-assemblies, finished goods, item variants, and service items. You can also keep track of the item's movement or location using Warehouses.

To access Item in ERPNext, go to:

Home > Stock > Items and Pricing > Item



To learn how to set up items in your ERPNext account, use the following links:

User Manual

Video Tutorial

Once an Item is created, you can also capture its buying and selling price using the Item Price feature.

2.3 Customers and Suppliers

Customers and Suppliers are the parties with whom you transact with and log it in your ERPNext account.

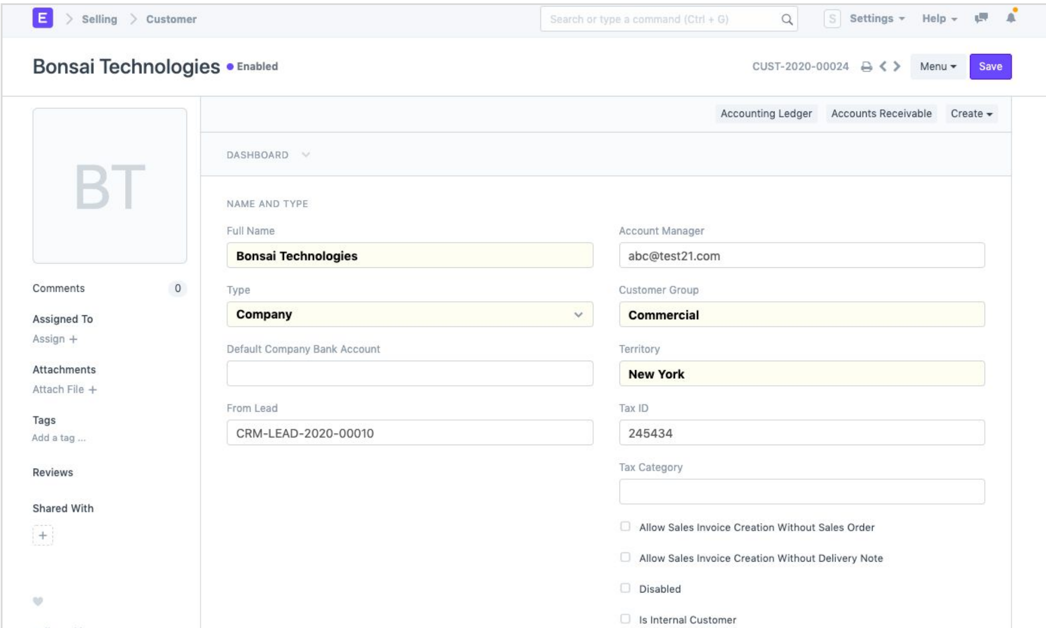
Transactions that can be made for a Customer are Quotation, Sales Order, Delivery Note, Sales Invoice, and Payment Entry.

Transactions that can be made for a Supplier are Supplier Quotation, Purchase Order, Purchase Receipt, Purchase Invoice, and Payment Entry.

To access Customer and Supplier in ERPNext, go to:

Home > Selling > Sales > Customer

Home > Buying > Supplier > Supplier



Learn more about Customers and Suppliers here:

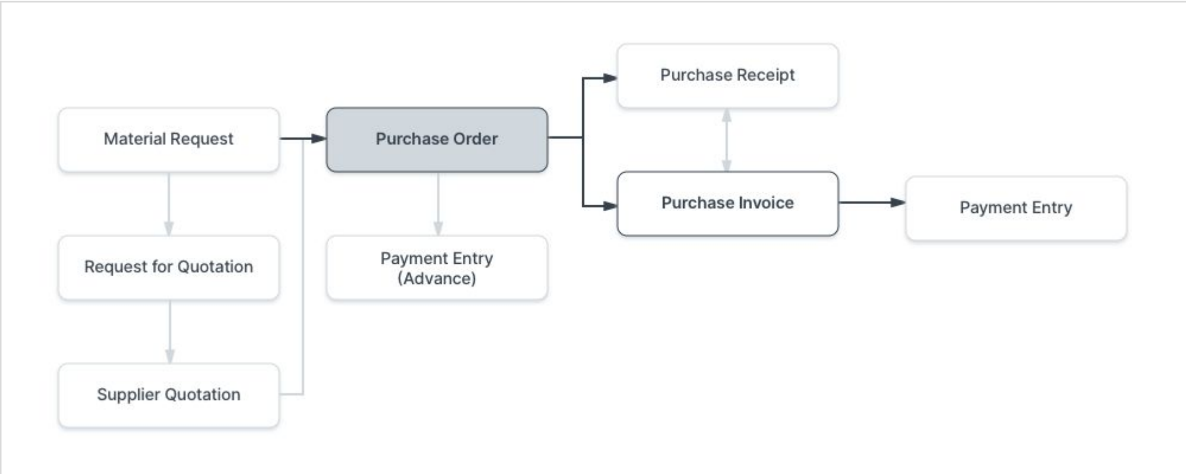
[Customer]

[Supplier]

[Video Tutorial]

3. Purchase Transactions

For manufacturing or distribution, you first need to procure items and store them in your warehouses. Let's look at the procurement or buying flow in ERPNext.



The mandatory actions are marked with a dark border, so here you create a Purchase Order and when it's time to pay, mark it with a Purchase Invoice. Ok, now your actual procurement flow may have more actions, so let's go through each of them.

It all starts with a Material Request which indicates that materials are required either for manufacturing products or replenishing the warehouses since the stock levels have dipped.

To buy Items, you may send a Request for Quotation (RFQ) to multiple suppliers. They'll send back a Supplier Quotation and you'll pick the best one. Note that the best one always isn't the cheapest, time to ship is also a factor.

After choosing a supplier, you place a Purchase Order with them containing the items and quantities with any additional terms and conditions if applicable. Depending on your arrangement with the supplier, an advance payment might be made at this point.

After a Purchase Order comes the Purchase Receipt which denotes that you've received the stock at your warehouse. This changes the stock ledger. This leads to the Purchase Invoice when you're billed for the Items that have been shipped. In the end, comes the Payment Entry to record the payments you've made. This changes the accounting ledger.

3.1 Material Request

To indicate that items are required, material requests are generated. These are either generated automatically or can also be created manually.

It can be used to keep a record of the items that are required so that the inventory can be properly maintained.

To access Material Request in ERPNext, go to:

Home > Buying > Purchasing > Material Request

Learn more about Material Requests here:

User Manual

Video Tutorial

3.2 Purchase Order

By raising a Purchase Order with a supplier you enter into a promise to provide certain items under certain shipping or other conditions.

A Purchase Order can be created as a fresh standalone record or via the 'Material Request' or 'Supplier Quotation' DocTypes among others, depending on your process flow.

To access Purchase Order in ERPNext, go to:

Home > Buying > Purchasing > Purchase Order

Learn more about Purchase Orders here:

User Manual

Purchase Cycle

3.3 Purchase Receipt

After placing a Purchase Order, you may want to record that the Items have reached your warehouse. To do this, use a Purchase Receipt.

Purchase Receipts are made when you accept Items from your Supplier usually against a Purchase Order.

This aids in keeping track of the ordered items that have or have not been received, at which Warehouse they have been received and the status of billing for those items.

To access Purchase Receipt in ERPNext, go to:

Home > Stock > Stock Transactions > Purchase Receipt

Learn more about Purchase Receipts here:

User Manual

3.4 Purchase Invoice and Payment

Depending on your arrangements, the supplier will raise a Purchase Invoice with you for the items he's selling. It's a bill against which you need to make the payment. Using ERPNext's Purchase Invoice, you can track Advance Payments and Purchase Returns, apply the relevant taxes as well as have ready-to-export accounting reports.

Once the Purchase Invoice has been generated, you can update its payment status by creating a Payment Entry against it.

To access Purchase Invoice and Payment Entry in ERPNext, go to:

Home > Buying > Purchasing > Purchase Invoice

Home > Accounting > Accounts Receivable > Payment Entry

Learn more about Purchase Invoices and Payments here:

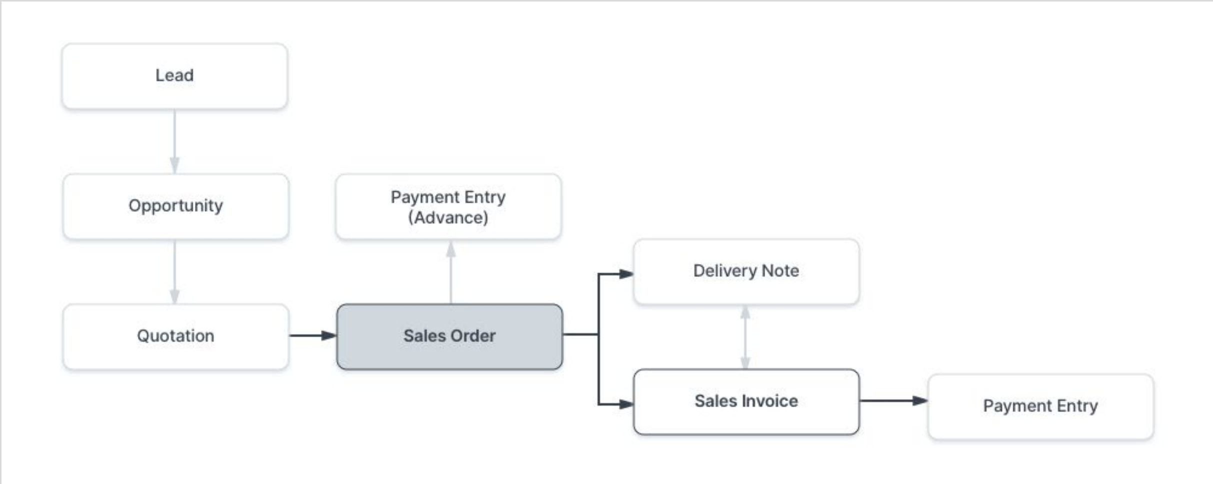
Purchase Invoice

Payment Entry

Once this is done, your Purchase Invoice is marked as 'Paid' and your purchase cycle is complete.

4. Sales Transactions

Once you've procured items, the next step is selling the procured or manufactured items. Here's the overall sales flow in ERPNext:



Similar to the buying cycle, here only the Sales Order and Sales Invoice are mandatory transactions. But an actual sales flow may include multiple other documents to keep proper records of everything.

It all starts with a Lead, someone who might be interested in your products or services. When the requirements are confirmed, a Lead becomes an Opportunity. You'll send a Quotation to a Lead to list down the items and conditions of the transaction.

Once your Lead agrees to the Quotation, you'll create a Sales Order to record the goods to be sold. You can ask for advance payment, depending on your arrangement.

After you have the order, you'll ship the Items to your Customer. To denote that items have been delivered, use the Delivery Note. After this, raise a Sales Invoice with your Customer indicating that payment needs to be made for the goods provided. In the end, the Customer pays you and you create a Payment Entry to record the payments against the Customer's account.

4.1 Quotation

A Quotation is an estimated cost of the products/services you're selling to your future/present customer. From here you can set up the taxes to be applied, the payment terms discussed and any discounts to be calculated. You can also create templates if you send similar quotations to multiple customers.

To access Quotation in ERPNext, go to:

Home > Selling > Sales > Quotation

Learn more about Quotations here:

User Manual

4.2 Sales Order

A Sales Order is a confirmation of an order from your customer. This can be created directly via the Quotation, once it is agreed upon by the Customer.

To access Sales Order in ERPNext, go to:

Home > Selling > Sales > Sales Order

Learn more about Sales Orders here:

User Manual

Sales Cycle

4.3 Delivery Note

A Delivery Note is made when a shipment is shipped from your Company's Warehouse to the customer. You can set up Quality Inspections for the items, add Transporter information, and manage short-closing via the Delivery Note in ERPNext. Submitting a Delivery Note affects the stock ledger.

To access Delivery Note in ERPNext, go to:

Home > Stock > Stock Transactions > Delivery Note

Learn more about Delivery Notes here:

User Manual

4.4 Sales Invoice and Payment

A Sales Invoice is a bill that you send to your Customers against which they make payments. Through the Sales Invoice, you can monitor the payment status and Sales Returns, if any. You can also integrate it with Employee timesheets as well as adjust any Advance Payments here.

Once the Sales Invoice is created, a Payment Entry will need to be created to record the payment against the invoice. Submitting the Sales Invoice and Payment Entry, both affect the accounting ledger.

To access Sales Invoice and Payment Entry in ERPNext, go to:

Home > Selling > Sales > Sales Invoice

Home > Accounting > Accounts Receivable > Payment Entry

Learn more about Sales Invoices and Payments here:

Sales Invoice

Payment Entry

Creating a Payment Entry will then change the status of the Sales Invoice to 'Paid' and the sales cycle will be complete.

5. Advanced Distribution Features

5.1 Serialized Inventory

You can assign a unique value like a serial number to each unit of an item. This can help track its movement in transactions as well as monitor its warranty and expiry information.

Learn more about Serialized Inventory here:

User Manual

5.2 Batched Inventory

You can group multiple units of an item and assign these groups with a number called Batch Number. All stock transactions are then tagged with this batch number to enable you to track it in transactions as well as monitoring expiry and quality.

Learn more about Batched Inventory here:

User Manual

5.3 Automatic Reordering

Running out of stock at the last moment is a pain. To tackle this, you can set up automatic reordering. This creates a Material Request of a pre-set quantity when the stock reaches a certain level.

Learn more about Automatic Reordering here:

User Manual

5.4 Item Variants

You may have various items to sell. Among those items, there may be multiple variants. Now, consider a t-shirt, it can be of different colors and sizes. The different colors and sizes are the item attributes using which several Item Variants are created. For example, there can be Red, Blue, and Green t-shirts of sizes ranging from small to medium to large.

An Item Variant is a version of an Item with different attributes like sizes or colors. Using this feature, you can create a template of an Item and create variations of this item based on either some attributes that you have configured or based on a manufacturer.

Learn more about Item Variants here:

User Manual

Video Tutorial

5.5 Sub-contracting

In subcontracting, you employ an external party to carry out tasks for your organization, most likely related to manufacturing. With this feature, you can track the transfer of your raw materials to the subcontractor and your receipt of the finished goods.

Learn more about Subcontracting here:

User Manual

Video Tutorial

6. Reports

Almost every module in ERPNext has several pre-built reports for your data analysis needs. Our various stock reports will help you understand factors about your inventory like quantity, age, price, items to be received, delivered, etc.

6.1 Stock Reports

Managing multiple stock shipments along with their location and financial aspects can be daunting. The following reports are designed to give you more insight into these areas.

1. Stock Ledger
2. Stock Balance
3. Stock Projected Qty
4. Stock Summary
5. Stock Ageing
6. Item Price Stock
7. Ordered Items to be Received
8. Ordered Items to be Delivered

6.2 Accounts Reports

The following reports are crucial for most companies to be able to analyze their accounts and financial data.

1. Balance Sheet
2. Profit and Loss Statement
3. General Ledger
4. Trial Balance
5. Accounts Receivable with Ageing Analysis
6. Accounts Payable with Ageing Analysis
7. Budget Variance Report

7. Case Studies of Distribution Companies using ERPNext

7.1 Neural Integrated Systems

When Tarun Gupta's security services startup Neural Integrated Services started growing, his ERP could not keep pace and was full of bugs despite spending a lot of money. That's when Tarun decided he wanted to move to something better and discovered ERPNext. Click on the link below to watch him speak about why he moved to ERPNext.

Video Testimonial

7.2 Union Home Appliances

Union is one of the leading brands for home appliances in the Philippines for more than 50 years having started in 1960. Click on the link below to read about their ERPNext experience.

Case Study

7.3 Eurosteel India

Eurosteel Office Furniture Systems specializes in offering Office Furniture Solutions to the Indian market, it is an associate company of Eurosteel Malaysia, a global player in the office furniture industry.

Click on the link below to read a summary of how Eurosteel India, importer and trader of office furniture implemented ERPNext.

Implementation Story

8. FAQs

8.1 Can I customize a form and add new fields to it?

You can create custom fields with great ease in ERPNext. For detailed instructions, please refer to our documentation by clicking here.

8.2 Can I create a custom DocType to map a unique aspect of my process into ERPNext?

Yes, you can create your own DocTypes in ERPNext. Click here to know more!

8.3 How do I create reports to analyze my data effectively?

ERPNext has several standard reports available by default which can be edited and saved for subsequent usage. However, if you would like to create a custom report, you can do that too by using the Report Builder, Script Reports, or Query Reports depending on your requirements. Click here for more information.

8.4 What are the ways through which I can restrict a User's access to data in my instance?

Assigning the relevant permissions to your Users is a vital step while setting up your instance. ERPNext allows for several ways to restrict access to your data, details of which can be found here.

8.5 I want an email to be sent to a particular Employee for approval when a record is created. How can that be configured in the System?

This scenario and other similar ones can be set up using Workflows in ERPNext. For step-by-step instructions, click here.

8.6 How do I set up reminders, status change, or other types of notifications (Email/SMS/Slack) in my System?

Email and Slack notifications can be configured via the Notifications DocType in ERPNext and SMS notifications by the SMS Center and SMS Settings DocTypes.

Documentation regarding setting up Notifications can be found here and for SMS Settings click here.

8.7 Is it possible to customize the formats used to print a document in ERPNext?

Almost every DocType in ERPNext has a standard print format already created for it. However, if you would like to further customize this, you can create multiple print formats for each DocType by either using the Print Format Builder or Custom Script. More information about this can be found here.

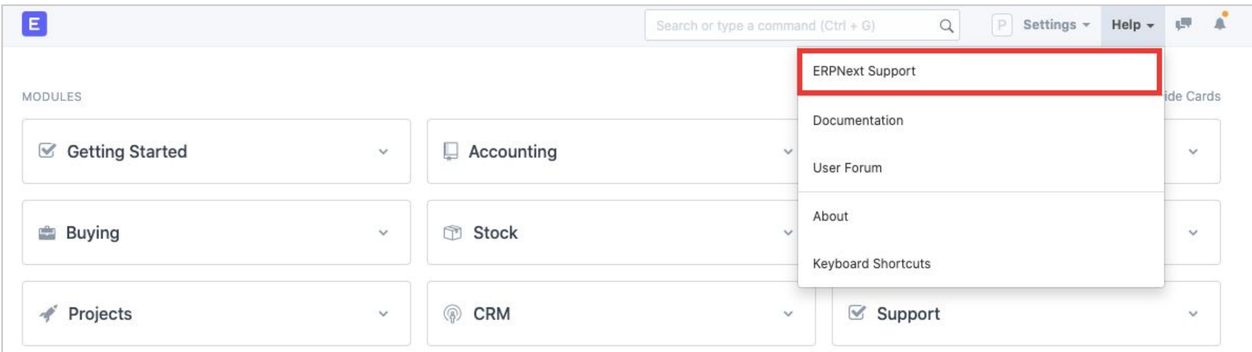
8.8 How do I import my data into ERPNext?

ERPNext has a very robust and user-friendly data importing tool called 'Data Import' which can be utilized to insert new records or update existing records. For step-by-step instructions, please click here.

We're here to help

Check out the ERPNext documentation to find help on what you're looking for.

If you need more assistance, reach out to us using in-app support from your ERPNext account.



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Please take 2 minutes to fill this feedback form.