How FMs can simplify inventory audits

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Andrew Johnson, CEO and founder of [ShelfAware](link), discusses how automation makes it easier for facility managers to do more accurate and more regular inventory audits.

It's that time of year again! No, I'm not talking about the holiday season. I'm talking about everyone's favorite time of year—the annual inventory audit party.

Growing up inside a family distribution business, I celebrated this season every year by counting tiny little parts in the warehouse for weeks with every employee except for a few running the essential daily tasks. I guess you could call it "fun."

Every year I would ask my father, "Do we really have to audit every single part this year?" The answer was always the same. "Yes!" Even though I knew the answer, I never stopped asking the question. That curiosity has spearheaded my journey to revolutionize inventory audits so that we can get back to just enjoying the holidays.

There are many reasons that FMs perform regular inventory audits. The most obvious is to ensure an accurate count of all physical components on the shelf. It's also a good idea for insurance purposes. With automation, a quick scan of an entire room of inventory can create detailed reports to determine the dollar amount of inventory on hand. This ensures better insurance reports and rates.

In addition, inventory audits are helpful for calculating profits, creating more accurate budgets, and identifying inefficiencies in manufacturing operations. Often, companies have poor tracking methods and might not actually know their current supply levels. They may be selling products that are already out of stock or planning production runs without enough materials.

The solution to these complicated inventory issues is to carefully track materials and products so that you

always have necessary products on hand without being oversupplied. The first step in managing your facilities is to perform an accurate inventory audit.

For most facilities, it is a financial requirement and an organizational burden. Through the years we've seen some shift to perpetual inventory or cycle counting, essentially breaking up the audit in chunks throughout the year. However, most still just bite the bullet and shut down at year end for a complete inventory audit. With the advent of new technology like web-based applications and shared data we are seeing the traditional audit go the way of the dinosaur.

The question I'm often asked is, "Where do we start?" The answer is simple—start small for big innovation. A small start can be something as simple as asking key suppliers how they can help with inventory audits and inventory management. Many modern suppliers will have a multitude of solutions. At a minimum, they will be able to provide additional information on package labels, even referencing this information in the form of QR codes or barcodes. When it comes to inventory audits, the more scannable the information, the better. If your supplier can't deliver these basic services, it may be time to consider a new one.

When considering how to collect this information and translate it into your broader MRP or ERP system, I often recommend leveraging mobile apps as opposed to commercial handheld scanners with built-in interfaces. Employees will be much more comfortable operating inside an Apple or Android mobile app, and therefore, much more likely to fully participate.

Not up for commissioning your own mobile app development? Or, does the idea of starting small for big innovation sound "too little too late" for your facility? Then you could consider working with a third-party platform to optimize inventory management and automate inventory audits.

How to automate inventory audits

Inventory audits can be tedious and time-consuming, but cutting-edge platforms that leverage cloud data can reduce the burden while providing you with the necessary insights to improve manufacturing operations. Best in class is a supplier who can provide you with RFID smart labels. By combining a cloud-based, data driven digital VMI platform and RFID technology, that process becomes fully automated with an accurate audit produced in less than an hour.

Most facility supply chains are complex. Often there are thousands of SKUs. In some cases, there are hundreds of thousands of square feet of actual physical inventory. In some scenarios, the inventory is wide-open with hundreds of users across multiple shifts interacting with the inventory. This can cause discrepancies in the data when managed traditionally.

With RFID smart labels attached to every inventory item, supplier sales representatives can perform accurate inventory audits at any time. The radio frequency chip can transmit package information across the airwaves at distances over 50 feet. This non-contact scanning function allows auditors to move quickly, scanning thousands of items in minutes without touching anything. Leveraging RFID technology allows for customization and accurate audits of complex supply chains in minutes.

With a digital VMI platform, suppliers and their sales reps are equipped to perform these audits, releasing facility managers and their teams from this tedious task. A supplier or sales representative enters the facility with a handheld scanner that is powered by a simple-to-use mobile digital VMI app. There is no complicated scanner to manage.

This type of automated inventory audit takes minutes instead of days and is extremely accurate. Because of the simplicity, they can be done more frequently especially in maintenance, repair, and overhaul facilities which typically see higher turns across routine use parts. Higher turns means more touches, and more touches equates to more lost inventory. Unfortunately, when humans are involved that is a natural outcome. All we can do is implement a system to fix it and fix it FAST! That way, we can all get back to sipping egg nogg and singing a good Christmas carol.

Key takeaways for automating inventory audits

1. Work toward an innovation strategy that won't require you to shut down your facility to perform inventory audits.
2. Don't hesitate to collaborate with key suppliers,
3. Focus any data collection efforts on smart phones and RFID technology.
4. Leverage technology that is cheap and flexible. Avoid clunky vending machines.