



**HOW YOU CAN
SAVE MILLIONS FROM**

INVENTORY SYSTEMS

A large, disorganized pile of cardboard boxes of various sizes is shown in the lower half of the image. The boxes are brown and feature various shipping labels, including barcodes and handling instructions like "HANDLE WITH CARE" and "FRAGILE".

*Proper asset management can create wealth by preventing loss.
What tools are you using to maximize your inventory investment?*

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THE COST OF INVENTORY MANAGEMENT

Inventory and asset management cost money. That's a fact many companies fail to see.

When you think about all the things you and your team do every day, managing and tracking inventory is likely among the most time-consuming. It can cost your company a lot in employee hours to keep watch over all the wire, cable, connectors, tools and equipment that are constantly moving in and out of, and around your business.

This is especially the case if you're using manual tracking or spreadsheet software to manage your inventory. That's not taking into account all the money your company could be losing because of inventory losses and theft resulting from your inefficient methods.

According to data from studies conducted by the Association of Certified Fraud Examiners (ACFE):

- Globally, employees steal \$50 billion worth of cash, supplies and inventory from the companies they work for each year.
- The average company can expect to lose five percent of its revenue to employee theft.

CBS news reports that according to the U.S. Chamber of Commerce, approximately 75 percent of employees have stolen from their employers at least once. And most frightening of all, according to data from The Shulman Center for Compulsive Theft and Spending, **33 percent of business bankruptcies can be traced to employee theft.**

And finally, add-in all the money, and sales you could be losing because you have too many items you don't sell or use in stock, and too few of those that are in-demand every day. The cash-flow issues caused by inefficient inventory management is a big issue faced by many electrical service companies.

The Solution

All this points to the fact that it's time for you to find a more effective way to manage your electrical inventory and supplies

So what can you do to reduce the amount of time and money it takes for your company to manage its inventory, while improving how you protect against inefficiency, employee fraud, theft, waste and other losses?

You should look into implementing an automated inventory control software system or a warehouse management solution for your electrical business. These systems automate how you count, handle and keep track of the supplies, tools and equipment going into and out of your business every day. This can speed the time it takes for you to manage your inventory and help you feel more confident that it is being handled correctly.

On the next chapter we'll discuss what inventory management systems exist and how they can be implemented for mastering success in the warehouse.

INVENTORY AUTOMATION SYSTEMS

Reduce human error by systemizing high-volume, repetitive activities.

Which System is Right For You?

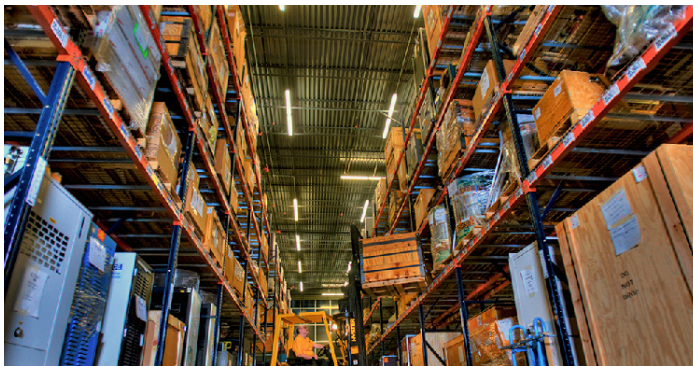
At their most basic levels:

An **inventory control software system** tracks inventory levels, orders, sales and deliveries.

A **warehouse management system** goes beyond that and monitors items moved in, out, and around your warehouse or warehouses.

Both systems are similar and complementary. Choosing the right one (or combination) will help you make the most of the dollars you spend on it and ensure that it will provide real benefits to your electrical business.

The first real difference between the two is scope and complexity. Inventory control systems are simpler. They keep count of the number of supplies or stock items you have in a single or multiple locations. Warehouse management systems are more complex, allowing you to track broader storage systems, in single or multiple bins, in one or more large warehouses. If you have a simple, small operation, an inventory system might be enough. If your company is more complex, you'll probably want to look into a warehouse system.



Inventory Systems Scale with size
They often can require a large team of people to implement, but after can vastly improve your bottom line.

The next thing you want to think about is whether you want to track how many, or how many and where. Inventory systems help you to track how many of an item you have on hand. Warehouse systems can give you greater control because they let you know how many tools, electrical items or supplies you have and where they are at any given time. With a warehouse management system, you won't just know how many „widgets” you have on hand, you'll also know where they're located, when they're being moved, where and how.

Saving time with an automated process is one of the strongest selling points of this type of software. Before buying anything be sure to check if it integrates (or at least can integrate) with what you are already using.

Finally, the last issue to consider is whether you want your system to integrate with the others you use to run your business. Inventory systems tend to be stand alone solutions, and will not integrate into purchasing, accounting, delivery and other systems like a warehouse management system will.

One way to approach this: Start with an inventory system and add-on a warehouse management system if

Interesting fact: According to a recent Georgia Institute of Technology study, only about 25-30 percent of warehouses are run efficiently, which means they're controlling inventory flow, tracking where supplies are, and eliminating loss. And, believe it or not according to industry data, only about 30 percent of warehouse operations have a warehouse management system. This correlation could prove that the only way you can gain control over your warehouse inefficiencies and losses is to implement a warehouse management system.

INVENTORY SYSTEM COSTS

What does it cost to implement automation systems? And how does that actually help you save money for your business?

The first step you need to take to determine if a system is right for your company is to do a simple cost benefit analysis.

Typical warehouse management software can run from \$100,000 to \$500,000, depending on the size of your business and the complexity of its needs. You may also be required to add \$100,000 or more in computer, server and system integration costs. Plus, you might want to invest in developing an app to help your company track supplies and inventory using smartphones or tablets.

Compare this cost against the seven percent of revenue you could be losing to inefficiencies, theft, losses and waste. Make sure you add-in the value of the hours you and your employees spend doing inventory manually or using a spreadsheet.

For most companies in the electrical industry, the numbers make sense. The cost of electrical supplies, inventory and equipment are so high that spending a few hundred thousand, or even a million dollars, to get the management of them under control makes complete sense.

Did you know: According to a recent study by study by CargoNet by Entrepreneur Magazine, employee theft incidents are highest on Thursdays and Fridays, when warehouses are at their busiest and on weekends, when supervision is at its lowest level. This points to the fact that you need systems in place all the time to ensure you can track inventory activity in your warehouse spaces.

KEY INVENTORY TECHNOLOGIES

What technologies comprise a modern inventory system?

1. **Radio frequency identification (RFID)** technology is an efficient way to track materials and supplies in your shop or warehouse. You simply attach tags to whatever it is you want to track, and the tags transmit information back to a data capture device. RFID technology can take on many forms and is used in countless industries. This article provides a detailed description of how it works.

***You might be wondering: Is it safe to work around RFIDs and other transmission technology?** According to Anses, the French agency for safety in the environment and at work, a group that has studied RFID technology extensively, the fields emitted by the tags quickly fade and are only significant in the immediate vicinity of a data reader. You can rest assured knowing you and your employees will be safe if you introduce this technology.*

2. **Near Field Communication (NFC)** technology allows two devices in close proximity to communicate with each other. In electronics shops and warehouses, this is most often used to enable apps on smartphones to track inventory. A transmission tag can be attached to anything you want to inventory, and you can use a smartphone to collect data from it.
3. **Voice** technology is pretty much what it sounds like. A warehouse management system can „speak” with anyone in the warehouse who’s wearing a special set of earphones. The management system can communicate to workers in the shop or warehouse and the workers can „speak” back to the system. The system uses voice recognition software to understand what the worker is saying and translate it back into the system. This can be a huge boon to efficiency in your warehouse by allowing you and your coworkers to skip steps in transmitting information from the shop or warehouse floor to the warehouse management system.

1. **Ship Hero** is a powerful iOS and cloud based technology that uses an app run on iPads to speed warehouse management. The amazing advance with this technology is that if you do not have a shipping or storage location in a place where you need one, you can connect with another vendor who uses the technology to help you out.
 2. **Amazon Robotics** (also known as Kiva Robots) is a system that replaces humans, conveyer belts and forklifts with small robots (approximately two feet square and a foot tall) that can find, lift (up to a thousand pounds or more), and move materials in a shop or warehouse. Plus, they can automatically transmit data back to the warehouse management system.
- Find the right fit and then do the cost-benefit analysis. You'd be surprised what an upfront technology will do to bring your business to a new competitive level.*

So, which of these new technologies make the most sense for your business to invest in? As with most things, it depends. You need to do a cost benefit, and time saving analysis on each. Some technologies, such as the Amazon robots, can lead to big cost savings because you can cut back on the number of people who work for you and the robots can significantly increase warehouse efficiency.

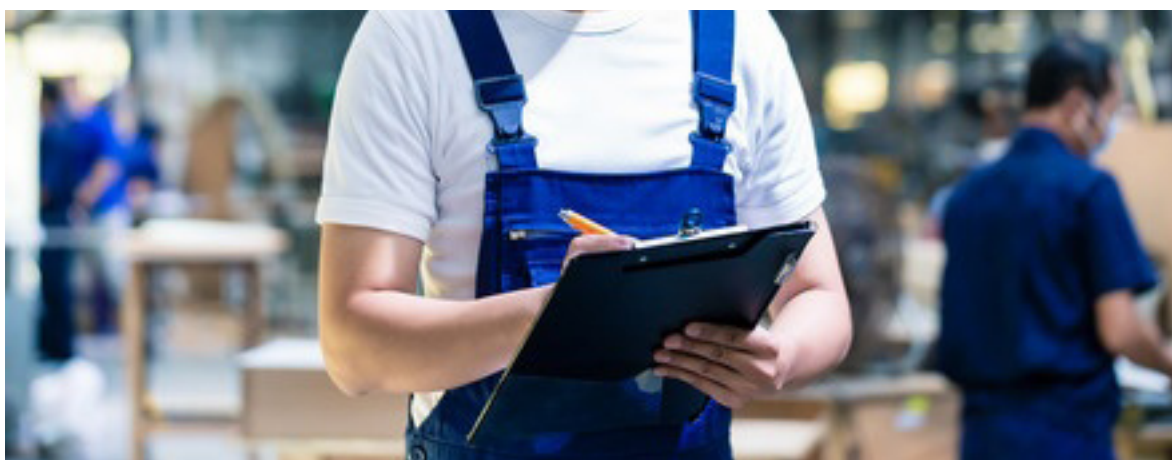
BUT, and you knew one was coming, there can be issues. The initial investment in Amazon robots is high, the ramp-up time for using them can be long, and they can lead to space inefficiency because they can only reach heights of up to six feet, meaning you could lose storage opportunities over this height.

WHAT TO DO NOW

You can instantly improve your bottom line without investing in a massive inventory system. Here are some simple process improvements.

Not every answer to improving the efficiency of your warehouse and inventory process is a technological one. You can also consider some of these „back-to-the-basics” opportunities to save time and money in your shop or warehouse:

- Collaborate and communicate more effectively. The biggest time waster in any operation is poor collaboration and communication. Simple things like implementing mandatory smartphone use on the warehouse floor can stop workers from needing to run from place-to-place to share messages and information. Using email and text messaging more often can help, as well.
- Touch items as few times as possible. The more times an item in your electronics warehouse is passed from person to person and place to place, the more time it will take to get it to its final destination. This also presents more opportunities for errors, loss, damage and employee theft. You could realize significant cost savings by simply streamlining how an item gets from a shelf to its final location.



- Take a fresh look at the layout of your shop and warehouse. It's probably been a long time since you've taken time to rethink and reorganize your space. Look for opportunities to move related functions closer together. Also, find ways to open things up: dark and hidden corners can encourage employee theft. (This article from [The Houston Chronicle](#) provides some great warehouse optimization tips.)
- Eliminate mistakes. Work with your team to find ways to cut down on the number of errors made. After all, every error has to be corrected, wrong items replaced and paperwork redone. While errors will always happen, getting them under control could save time and money.
- And finally... Always look for ways to try new things. After all, warehouse items used to be picked by candlelight, tracked on ledgers and shipped by horse or steam locomotive. Innovative ideas and technologies can help you save time and money managing your inventory and cut losses due to waste, damage and employee theft.



Equipment uptime is expanded by properly storing and tracking your inventory

Many companies misappropriate inventory turn-over to natural wear and tear. Often, it's a misunderstanding and handling of inventory.

Concluding Remarks

Creating a compelling and efficient inventory management system can be a big upfront investment, but its sure to save you money in the long run to plug possible leaks in your system.

Not everyone has the budget or resources to invest in a large warehouse management system. If that's you, do not worry! Look for effective ways to streamline how you purchase products and collect data with vendors, like ATI's quick order system, so you can find opportunities to improve your system in the future.

If anything else, take away that inventory is a game of communication and effort. If your team finds value in creating a better inventory system, then you have already taken the first step.

So the question is, will you take the first step towards a modern inventory system?