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NETSUITE

BUSINESS GUIDE

# Complete Guide to Selecting a Warehouse Management System

Part 2: Inbound Logistics





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Read Time: 5 minutes

# Complete Guide to Selecting a Warehouse Management System

## Part 2: Inbound Logistics

### The Key to Accurate Inventory Management

Inbound logistics is the process by which materials and other goods are brought into your business. It includes the steps to order, receive, store, transport, and manage incoming supplies. When working to improve operational efficiency, many companies focus on fulfillment processes, which directly affect customer satisfaction. However, operational efficiency — and, by extension, profitability — starts with how you bring goods into your warehouse.

Businesses relying on pen and paper or spreadsheets to manage inbound processes risk being saddled with inaccurate inventory records that result from human error and delays in relaying information. As companies take a more conservative approach and hold more cash on hand, accurate inventory records are critical. That's why leaders working to improve their operational efficiency, including inbound processes, are turning to technology to automate warehouse operations, including receiving, quality assurance, and putaway functions.



## Five Costly Logistical Challenges

Companies that rely on manual processes for inbound logistics run into issues that cost them time, money, and customers. These include:

1. **Lack of visibility.** Accurate, up-to-date inventory records have a huge impact on the health of any products business. But it isn't enough to just know how much of something you have. You must know where that inventory is, what is available, and when additional inventory is expected to proactively manage your supply chain, from procurement to fulfillment and everything in between.

Inadequate inventory management directly affects the customer experience. Without a real-time understanding of inventory, businesses are unable to effectively respond to customer orders. They may also suffer from:

- Inefficient inventory utilization, resulting in too many products in one location, too few in another.
- Inaccurate planning resulting in both stockouts and discounting and write-offs of excess, slow-moving, and obsolete inventory.
- Increased cost of goods sold (COGS) due to unnecessary handling.
- Lost sales from customers going to competitors due to stockouts.
- Inability to track and trace a product from supplier to customer order.

2. **Inaccurate/incomplete data capture.** Your inventory records are only as accurate as the information that is logged as items enter the warehouse. Accurate capture of item, lot, and serial number details ensures subsequent processes are working with accurate data. If you're relying on pen and paper, your warehouse records are prone to human error and outdated and incomplete information, which adversely affects both the customer experience and the bottom line.

3. **Delayed inventory records.** Manually entering newly received items into inventory as they enter the warehouse results in delayed inventory and transactional updates as inbound staff physically receive orders and then retroactively update the inventory record. This can cost you. Without real-time visibility into stock levels, for example, businesses run the risk of committing the same inventory to multiple orders and not having enough product to fulfill open orders. On the other hand, without visibility into what items are already committed, you can easily duplicate orders, ending up with excess inventory taking up space in the warehouse and tying up your cash.

4. **Lack of quality control for inbound orders.** Inspecting incoming orders is essential to ensure future production processes run smoothly, minimize risk, and proactively monitor supplier performance. As items are received into the warehouse, problems with vendors, shippers, and other handlers are often found. Before items are received into inventory, making them available for functions including order fulfillment and production processes, it's a best practice to inspect them to ensure they meet your quality standards.

Failure to find and report damaged or missing items not only impacts production and potentially leads to defective products and returns, it means the business is paying for goods it did not receive, which affects the bottom line. Controlling for quality before production begins will help head off quality issues before they affect production units, and ultimately customers.

5. **Inefficient putaway processes.** Without defined putaway strategies, businesses increase their risk of misplacing inventory. That negatively impacts future processes, such as production and fulfillment, and can lead to inaccurate inventory records. Tracking items as they move throughout the warehouse and ensuring they are put in their proper locations ensures the inventory in your inventory management system is available to use and easy to find when it is needed.

Without a solid putaway strategy, warehouse workers find themselves putting incoming inventory wherever there is a spot, just to get it off the receiving dock, making it hard to find later. Even if staff is putting inventory in designated bins, without efficient putaway strategies, employees waste valuable time and resources traversing the warehouse multiple times to the same location throughout the day. This not only wastes time, but with labor at a premium, it impacts profitability as it increases overhead costs and decreases productivity.

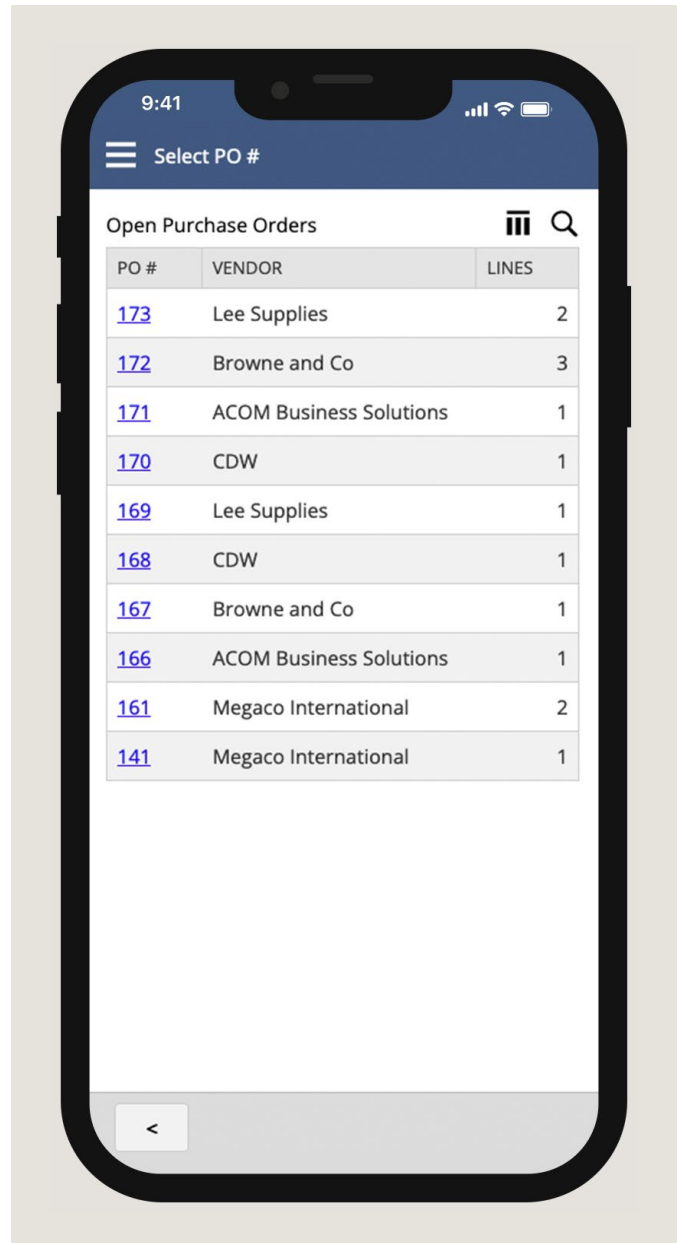
### Improving Inbound Logistics With NetSuite

Inbound logistics establishes rules and logic for receiving, inspecting, and storing items within a warehouse. Simplifying and standardizing processes with NetSuite WMS around receiving, quality control, and putaway functions increases efficiency, minimizes errors and incomplete inventory records, and ultimately decreases overhead and warehousing costs. It also ensures items are entered into inventory and available to complete production or fulfill orders.

1. **Mobile receiving.** Using the NetSuite WMS mobile application, users can quickly and efficiently process incoming purchase and transfer orders and return authorization items as they arrive in the warehouse. When items are received against an open order, NetSuite automatically updates the inventory record, so all business processes and data are updated in real time. Updates are also made to the total asset value of inventory, ensuring accounting and balance sheet figures are accurate. Upon receipt, items are automatically allocated to existing sales commitments, backorders, and production builds, triggering further actions if required.

Barcode scanning further increases receiving efficiency and data accuracy by eliminating the need for staff to manually enter product information, such as size, color, or vendor. Using the mobile application, relevant product information can be quickly and accurately captured and recorded, which makes the receiving process quicker and easier — employees no longer have to duplicate and enter relevant item details by hand.

Even though barcodes are easy to create, only about half of businesses are using mobile scanners in their warehouses today. For small businesses, it may seem like something to strive for as they grow. But the reality is, mobile scanning is easy and inexpensive to adopt, so there's no reason to wait to gain the benefits.



**Further simplify the receiving process** using the NetSuite WMS mobile app. Barcode scanning enables product information to be quickly and accurately captured and recorded using a mobile device.

2. **Force scanning.** Using a scanner to receive items into inventory not only makes the process easier and quicker, it also ensures you're capturing all necessary information to include in the item record. The mobile app can be set up to "force scan," which is a leading practice for increasing data integrity. Force scanning ensures key details are scanned and entered at the time of receipt and before an item can be received into inventory. It also automatically assigns lot number, serial number, bin location, and inventory status as items are received. Force scanning is a leading practice for increased accuracy in inventory records.
3. **Inbound putaway strategies.** When you put away an item, you are moving the item from a staging location to a storage location. Setting rules and defined processes for putaway functions allows the WMS system to recommend to mobile operators the proper bins based on item/inventory attributes and guide them to the right location.

Additionally, using putaway strategies keeps staff from traversing the warehouse multiple times to put individual items away. For businesses that use zones within the warehouse, putaway strategies can prioritize zones that contain the bins NetSuite WMS suggests.

Businesses that activate the Tally Scanning rule can scan item barcodes to enter each quantity to be put away. You can tally scan the barcode for the item, item alias, or UPC. For numbered items, you can tally scan the barcode for a lot or serial number. If you also activate the Advanced Bar Code rule, you can tally scan an item barcode in the supported GS1 formats. Scanning a numbered item's GS1 barcode that contains the lot or serial number further assures accuracy during the putaway process.

For warehouses with bins, employees can load received and staged items onto a cart to move them to their destinations. After an item receipt is posted for a purchase order, items can be moved from the inbound staging bin onto a cart and are ready to be put away or transferred to their storage bins.

4. **Quality control.** Adopting inbound quality processes helps ensure raw materials and components arrive from suppliers undamaged and as ordered so that they can be used to produce finished goods. Predefining inbound inspection criteria for items as they enter the warehouse ensures products arrive according to the specifications agreed upon with the supplier. Inspection criteria may include what items to

The screenshot displays the NetSuite WMS Putaway Strategies List. At the top, there is a search bar and navigation tabs for Activities, Transactions, Lists, Reports, Analytics, Documents, Setup, Customization, and Commerce. The current view is 'Custom Default' and there are buttons for 'Edit View' and 'New WMS Putaway Strategies'. Below the navigation is a table with the following data:

EDIT   VIEW	NAME ▲	INVENTORY STATUS	ITEM FAMILY	ITEM GROUP	ABC VELOCITY	ZONE
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy - Gift Cards		Gift Cards			Secure Zone
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy - Laptops			Laptops		Secure Zone
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy to Damaged	Damaged				Scranton WH Zone
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy to Inspection	Pending Inspection				Scranton WH Zone
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy to Picking	Good			A	Picking
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy to Staging	Good			C	Staging
<a href="#">Edit</a>   <a href="#">View</a>	P/A Strategy to Storage	Good			B	Storage
<a href="#">Edit</a>   <a href="#">View</a>	Scranton WH Put Strategy					Scranton WH Zone

**Define where and how inventory should be stored** in the warehouse with predefined putaway strategies. The NetSuite mobile app walks users through the putaway process, ensuring items are where they belong.

inspect and at what frequency, as low-cost supplies or items that arrive constantly or from trusted suppliers may not require each item to be inspected.

The type of inspection that's required will also vary by item and needs to be defined. Some items may require only a visual inspection, while others will require testing. Finally, procedures for what to do when items do not pass inspection need to be defined.

## Inbound Logistics Fuel End-to-End Inventory Visibility

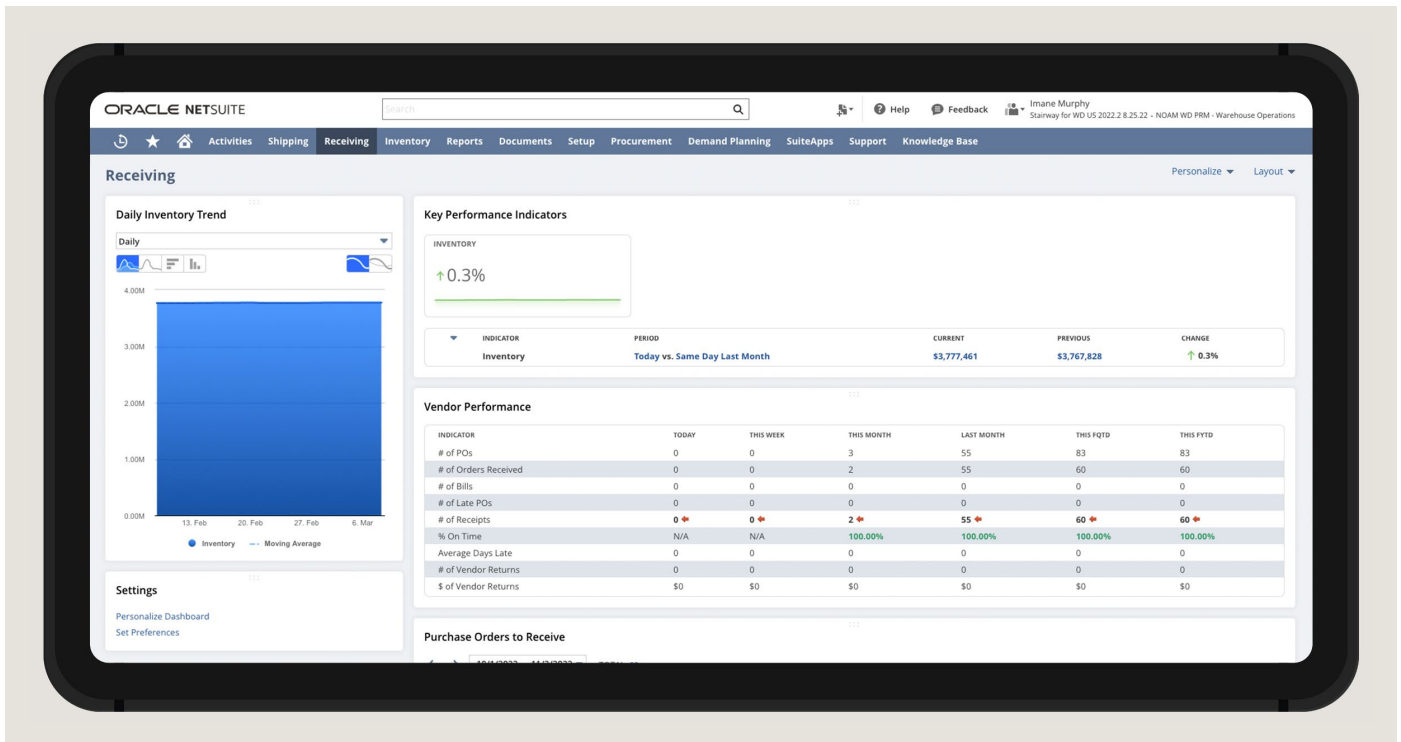
As businesses become more fiscally conservative and look to hold more cash on hand, the importance of inventory accuracy is greater than ever. Maintaining proper inventory levels ensures items are available to fulfill customer orders without tying up cash in excess inventory sitting on the shelf.

As businesses hold less inventory overall, it becomes more critical to have an accurate understanding of not

only how much they have but where it is located and what its status is. Without this information, delays in production are inevitable as required components aren't in the correct location or items are oversold due to inventory not being properly allocated to orders — both negatively affect profitability and customer satisfaction.

Warehouse employees play an essential role in ensuring inventory records are accurate and complete. As items are received into the warehouse, they need to be equipped to collect and record relevant data, efficiently.

Because NetSuite WMS is part of a single, unified ERP, as orders are received, the inventory record is automatically updated to reflect changes in item quantity and status, so there's always a real-time view of stock on hand. And, NetSuite automatically creates a bill in accounts payable for the order. Accurate data is accessible, in real time, to all parts of the business so decision-makers are working with the latest insights and information.



**When orders are received**, the inventory record is automatically updated to reflect the change in item quantity, so there's always a real-time view of stock on hand.

The logo for Oracle Netsuite, consisting of the word "ORACLE" in a larger font above the word "NETSUITE" in a smaller font, both in white uppercase letters. The background is a dark blue gradient with a pattern of concentric circles and abstract shapes in red, yellow, and light blue.

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