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Inventory Management on a Shoestring



By Erika Morphy
CRM Buyer
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Inventory management is not just for enterprises anymore. With the advent of e-commerce and globalization, small companies are engaging in many of the same business processes as large firms and even competing on the same turf at times. To do their jobs right, they need some of the same capabilities as their larger cousins -- but they need them for a small-biz price.

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[Fidelitone Logistics](#), a third-party logistics provider based near Chicago, works with retailers like Best Buy, Black & Decker and Aero Bed International to manage their inventories and ship consumer goods worldwide.

Mike Schoenfeld, an executive VP at Fidelitone, recently gave a group of executives from a venture capital firm a tour of the company's operations. No, the VC model hasn't changed so radically that it includes the actual shipping and distribution of goods. Rather, these VC executives were thinking of the small firms in their portfolios that needed the benefits of a streamlined inventory management and warehouse distribution system.

"They wanted to create a tool set that would include outsourcing," Schoenfeld told CRM Buyer. Potential services these firms would be offered included the order-to-cash piece of the supply chain, as well as logistics functions.

A quick look at supply chain economics and efficiencies shows why the VCs felt providing these services across their portfolio made sense: Typically, such services are built and priced to the enterprise or even large medium-sized companies. Even software -- especially applications designed for the SMB space -- rarely delivers all of the functionality needed for visible inventory management and related procurement, warehouse and distribution operations.

At the same time, SMBs are acting as though they are indeed enterprise-sized, exporting to global markets and, thanks to Web 2.0 technology, able to compete with larger-sized competitors. Unfortunately, the supply chain, in many cases, has not caught up -- either in tailored services or prices.

All is not lost, though; through savvy use of existing technology and borrowing from the playbooks of larger companies, SMBs can put together a viable inventory management system on a shoestring.

Rethinking Costs

Not surprisingly, Schoenfeld advocates outsourcing as a cost savings model for small companies -- a philosophy that can encompass almost any part of the business, from leasing equipment to choosing a SaaS provider over an on-premise application.

In general, taking a cost and making it a variable factor instead of a capital outlay is important, he said. "Buying by the drink, so to speak, is one way to get access to high-quality services." Paying as you go also matches up better with an SMB's cash flow, he added.

Integration as a Tool

Companies also need to be aware of the pitfalls that can ensnare them when certain elements of their supply chain operations remained siloed, Baruch Goldwasser,etail/retail principal with [NetSuite](#), told CRM Buyer.

Unlike enterprise-sized companies, SMBs typically silo warehouse management operations, for instance, both physically and electronically, he said. "For these firms, there are usually just one or two people in the warehouse who know what is going on with the inventory that day -- and if they happen to be out or off, then you are out of luck."

Implementing e-commerce software that provides a complete view of the order -- from procurement to customer interaction to shipping, and so on -- is one way to avoid these blind spots, Goldwasser said.

In the larger picture, integration is key because there are so many discrete, moving parts that need to come together, he continued. "You need to keep track of everything that happens in procurement, in inventory, in the warehouse -- and keep track of a shipment as it moves from one to another."

For that reason, it is also important to have a system that can handle multiple channels, he added. "Tying inventory management into sales, for example, is essential. As soon as a sale is registered, it should automatically deplete the inventory, wherever it may be. So if a physical store sells something, then the Web store knows it has one less item at its disposal."

Integration is key, agreed Sandeep Walia, president of [Ignify](#) -- but it may be a mistake to rely entirely on an e-commerce platform to provide it.

"Inventory management has several elements to it," he told CRM Buyer -- "including tracking the financial impact."

A good enterprise resource management package for SMBs -- and there are several that have been tailored for this constituency -- would be best, Walia opined.

Basically, e-commerce packages are great at online catalog management, he said, and that's something he would know about, as Ignify is an e-commerce provider. "I would love to say we do everything -- and we do do a lot, including pricing, search, catalog attributes and so on. But when it comes to the back-end fulfillment processes, we hand that over to an ERP system."

Best Practices

At bottom, there are a number of best practices that have been developed over the years for an inventory management/fulfillment operation -- best practices that can be tweaked to work for SMBs, Nate Gilmore, VP at [Shipwire](#), told CRM Buyer.

For instance, pushing inventory data to a shopping cart or marketplace -- in other words, maintaining real-time inventory numbers -- is doable if the software application provides real-time inventory [API](#) connections. Ditto for connecting an online store to a warehouse, so that each order automatically gets pick, packed and shipped to the buyer.

Other best practices require legwork and due diligence -- a fact that applies both to enterprise-sized companies and SMBs. For instance, having an online store integrated to a warehouse so each order is picked and packed and then shipped to the customer is great. However, key to that is making sure that the warehouse actually has the flexibility to pick, pack and ship individual orders and wholesale orders. No amount of automation can rectify the situation if it doesn't. [ECT](#)

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