



5 Keys to Highly Accurate Inventory Management

Do your
manufacturing
operations need
accurate inventory?

**The answer is a
resounding “yes.”**



Think about the reason you got into manufacturing. Chances are you care deeply about the products you create – and the goal is to get those products into as many hands as possible.

A successful manufacturing company's processes, including warehousing and inventory management, must be precise. Ultimately, if a company can't track what it has, it won't be able to deliver what it promises to customers.

Crowe specialists have worked with manufacturing companies around the world. Our experience has taught us one crucial thing: Inventory accuracy is critical for keeping manufacturing operations running smoothly and efficiently.

Some leaders might think their manufacturing company is too small for a warehouse management system (WMS), pallet labeling, cycle counting, and backflushing.

But no matter its size, accurate inventory is fundamental to scale successfully.




Accurate inventory management helps the production schedule remain uninterrupted so companies can meet quality standards while minimizing costs. Without accurate inventory, companies risk shortages, overstocking, and waste, which can disrupt their ability to grow and to increase customer satisfaction.

5 best practices to help maintain highly accurate inventory

1

Labeling and traceability

Labeling every product with item numbers, lot codes, and other identifying information helps anyone in the facility quickly identify what is on hand.

-  **The hesitation**
Initial setup costs and resistance to change in receiving processes might deter some.
-  **The value**
Labeling helps reduce the risk of miscounts and phantom inventory issues, and it can enhance traceability.
-  **The alternative**
No direct alternatives to labeling for traceability exist yet.

Quick steps for implementation

Create standardized labels containing the item name and quantity to facilitate transactions

Consider including lot or serial numbers on the labels if you track items using these methods

Use these labels for increased ease of transacting within the system

[Click to dive deeper into labeling and traceability >](#)



2

Pallet-level inventory

Keeping track of inventory at the pallet or shelf level in a warehouse simplifies inventory management. This approach reduces the time needed to locate products and helps prevent misplacement.

- ? The hesitation**

A small operation might argue that pallet-level inventory is too burdensome to maintain, but as a business grows, maintaining inventory accuracy is critical.

A best practice is to build out this process while the business is small and to scale the approach as needed instead of trying to create a process after the fact.
- ✓ The value**

Tracking pallet- and shelf-level inventory provides a detailed picture of current stock, which helps reduce reliance on employee knowledge.
- ✗ The alternative**

Relying on employee knowledge and intuition can be unreliable and involves manual counting and sorting to confirm accuracy.

Quick steps for implementation

Begin by identifying specific aisle-rack-shelf or pallet locations in the warehouse

Logically organize the numbering of these locations

Label each specific location according to the organized numbering system



3

Cycle counting

Instead of relying on annual inventory counts, cycle counting involves regularly counting a small portion of inventory, which helps companies stay up to date on inventory record verification and reduce the likelihood of discrepancies and shrinkage.



The hesitation

The initial setup includes creating cycle count plans and deciding how frequently to count items, and a lack of training might be a barrier.



The value

Regularly counting portions of inventory helps spread the workload, prevent stockouts, and prepare companies for future growth.



The alternative

Full physical inventories are comprehensive but burdensome, and the time between each full count could lead to discrepancies in the interim.

Quick steps for implementation

Assess turnover rates for each item

Categorize items into classes: A, B, and C

Prioritize counting the more valuable Class A items frequently, Class B items less often, and Class C items periodically

[Click to dive deeper into cycle counting >](#)



4

Production accuracy and backflushing

Backflushing automates raw material inventory deductions based on the finished goods produced. Inaccurate backflushing can lead to incorrect inventory counts. Accurate production processes can help minimize these discrepancies.

- ? The hesitation**
Some prefer issuing each component individually for precision.
- ✓ The value**
Backflushing reduces inventory count errors by eliminating manual issuance of raw materials.
- ✗ The alternative**
This step requires the manual issuance of raw materials, which is prone to errors and inefficiencies.

Quick steps for implementation

Use manufacturing work orders to track production and material usage

Implement bills of materials to maintain accurate records of raw material consumption

Apply these tools to deduct raw materials accurately during production processes



5

Inventory costing considerations

Beyond knowing the quantity of their inventory, manufacturers need to understand its value, including direct costs, such as labor and overhead for electricity and rent.

- ? The hesitation**
Inventory costing considerations require an initial analysis and configuration, which takes time and resources but is crucial for financial accuracy.
- ✓ The value**
Accurate inventory costing helps keep financial statements up to date, prevent unexpected write-offs, and provide a clear picture of product costs and financial statements.
- ✗ The alternative**
Creating generalized cost rates across all items can lead to less precise cost calculations.

Quick steps for implementation

Assess which costs are attributed to finished goods

Calculate estimates for each cost category by item or group

Run simulations to verify the accuracy of the calculated costs



Elevate your inventory management with NetSuite ERP

Integrating these five best practices can help streamline the manufacturing process. When coupled with NetSuite enterprise resource planning (ERP), these steps allow for a clear view of inventory and financial data.

A clearer view of inventory can help optimize operational efficiency and support strategic decision-making to enhance production and profitability.

Following are five ways NetSuite ERP and WMS can help manufacturers implement and maintain highly accurate inventory.

1 | Labeling and traceability

NetSuite ERP offers a sophisticated tracking system that allows manufacturers to label products with unique identifiers such as item numbers, lot codes, and barcodes. This feature facilitates easy traceability so team members can quickly identify and account for products.

- **The advanced labeling system** supports barcode scanning, which can make tracking and entering data easier and faster.
- **Fully integrated traceability features** eliminate the need for third-party software and facilitate better data flow across different modules.

2 | Pallet-level inventory

NetSuite WMS helps companies manage inventory at the pallet or shelf level, streamline warehouse operations, and reduce misplacement.

- **Pallet-level inventory assignment** affirms that each product has a designated spot by simplifying tracking and retrieval.
- **Real-time updates** keep everyone informed with the most current inventory data, which helps improve accuracy and communication.

3 | Cycle counting

NetSuite ERP facilitates cycle counting in two ways to help manufacturers stay on top of inventory.

- **Regular cycle counting** helps maintain an accurate inventory without extensive annual counts. This approach helps teams detect discrepancies early and address them promptly.
- **Automated cycle counting** enables regular inventory counts, automatically adjusting stock levels based on results to maintain accuracy. This automation feature also helps lower employee manual effort and reduce human error.

4 | Production accuracy and backflushing

NetSuite ERP supports accurate production processes and helps reduce the risk of incorrect inventory counts due to backflushing errors. It provides tools to track raw materials and maintain correct issuance during manufacturing.

- **Manufacturing work orders and bills of materials** accurately issue and track raw materials during production, reduce discrepancies, and maintain precise inventory levels.
- **Backflushing accuracy** helps automatically deduct raw materials from inventory based on production, which can help improve overall efficiency and reduce manual errors.

5 | Inventory costing considerations

NetSuite ERP helps manufacturers understand the value of their inventory by providing comprehensive costing tools that account for direct costs, overhead, and other expenses.

- **Cost allocation flexibility** helps assign costs to inventory based on various factors such as labor, materials, and overhead, which helps keep financial statements precise and reduce unexpected write-offs.
- **Detailed costing capabilities** yield a deeper understanding of inventory expenses and can result in better financial planning and control.



NetSuite ERP was made for the makers

NetSuite ERP can be an ideal solution for manufacturers passionate about making high-quality products and delivering exceptional customer service.

NetSuite ERP supports key practices such as labeling, pallet-level inventory, cycle counting, production accuracy, and inventory costing, and it offers a clear path to highly accurate inventory management. But it's not just about managing inventory. It's about creating a system that supports makers at every step of the manufacturing process.

Here's how NetSuite ERP aligns with the needs of modern manufacturers:

- ✔ **Adaptive ERP solutions:** The NetSuite platform is customizable, designed to grow with a manufacturing business, and scalable.
- ✔ **Streamlined manufacturing suite:** NetSuite tools are comprehensive and can manage all manufacturing aspects from a single platform to enhance efficiency and reduce operational delays.
- ✔ **Insightful decision-making:** With real-time data insights and reporting, NetSuite ERP supports rapid, informed choices regarding production processes.
- ✔ **Flexible growth support:** NetSuite ERP architecture accommodates any business size and can facilitate growth without compromising quality or performance.
- ✔ **Enhanced operational efficiency:** NetSuite ERP helps minimize manual labor with an intuitive, automated interface that can allow teams to dedicate more time to innovation.
- ✔ **Environmental and regulatory alignment:** NetSuite ERP supports efforts to align with environmental regulations and meet sustainability goals.








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