



BEST PRACTICES

A Collection of Best Practices for:

Materials Management

Includes Detailed Best Practices for:

- Inventory Management & Control
- Quality Control
- Receiving



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Inventory Management & Control

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— — — *The Inventory Management & Control function is responsible for the efficient storage and monitoring of inventory in company warehouses and storage facilities. Through communications with the Forecasting and Purchasing or Procurement groups, they set levels at which to purchase additional volumes of each item (and notify the appropriate parties when those levels are reached, usually in an automated manner). They also control the quality of storage methods and ensure that incoming and outgoing items meet the necessary standards. This is especially important in industries with tight regulation, such as food production and processing, chemicals and oil and gas.*

Inventory Management & Control

Materials Management Best Practices

Best Practice 1-A

Use ABC Analysis and Other Categorization Systems to Optimize the Use of Warehouse Space

Use ABC analysis alongside other categorization systems (includes categorizing according to use, department, etc.) to determine which items within the organization's inventory should be considered high or low value. Store all inventory and categorization information in a central asset database to ensure easy access by relevant employees while maintaining precise control over the inventory. Not only do these practices optimize the use of warehouse space, but it also allows order processing, production, packaging and shipping employees to quickly locate inventory items and perform data analysis to further optimize inventory processes.

Typical Practice (the Status Quo): Categorize the organization's assets according to whether it is movable or fixed (i.e., products that can be sold quickly versus things that can't such as buildings, furniture, equipment, etc.). Use print outs that lists movable asset placements (typically in alphabetical order) and attach them throughout the warehouse to provide relevant employees (typically production, packaging and shipping employees) the ability to quickly locate items to distribute or areas to restock returned items. It is the responsibility of order and return processing employees to keep the lists updated after every stock review and re-order.

Benefits of this Best Practice: The goal of using ABC analysis alongside other categorization systems (includes categorizing according to use, department, etc.) is to optimize the use of warehouse space and to ensure that the most important items are always available for distribution. For instance, ABC analysis splits an organization's inventory into A (the largest revenue and cost contributors), B (items of middle value, volume and frequency of stock reviews and orders) and C (items of lowest value) items in order to describe the value, volume and frequency of stock reviews and re-orders. As a result of such categorizations, less important items should take less space, and more space should be used for the items that are most in demand. Storing all inventory and categorization information in a central asset database, furthermore, allows order processing, production, packaging and shipping employees to easily access and use categorization data to quickly locate inventory items for distribution and perform further data entry and analysis to keep the inventory updated while further optimizing inventory processes.

 **Related KPIs:** Inventory Turnover, Inventory Accuracy (Location), Inventory Shrinkage

Inventory Management & Control

Materials Management Best Practices

Best Practice 1-B

Use Automated Notification Software to Reduce Duplicate Work

Use automated notification software to identify redundant orders (e.g., same order number, etc.) within the order management system as soon as they occur and automatically send a notification to the correct parties to ensure that no duplicate work takes place.

Typical Practice (the Status Quo): Use a simple yellow warning, instead of an automated communication or “hard stop” to call out redundant orders in the system. It is the responsibility of materials management employees to prevent duplicate work since automated programs may not catch the potential nuances associated with some redundant orders.

Benefits of this Best Practice: Using an automated notification system to identify redundant orders (e.g., orders with the same order number, etc.) within the order management system as soon as they occur before sending out a notification to the correct parties reduces instances of duplicate orders, related rework and overall order management or entry costs. Using such an automated notification system, furthermore, allows materials management employees to perform other, high-valued tasks.

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