Inventory Reorder Optimisation

This document will assist you in understanding the Setup and Inventory Reorder optimisation process available in Palladium Enterprise Version 10.

Contents

Overview

The purpose of this feature is to optimise the inventory holding and ordering within the organisation by managing minimum and maximum levels with order lead times, a safety factor as well as an estimated number of days sales to stock in order to optimise in hand levels.

Process

This function is a 3-step process as follows:

1. First setup the delivery lead time, safety factor to apply and set up the number of days sales required in stock.
2. Then run the inventory forecasting process. This function will calculate and average daily sales for the selected period and set the minimum and maximum inventory levels using the safety factor and required days sales.
3. We then process the mass inventory order form allowing us to mass create the individual purchase orders per location per vendor.

Setup

General System Setup

You need to go to the Company Options Setup to determine whether you will create Purchase Orders or Purchase Requisition when processing the Bulk Reorder Process per the screen below. Note that you will only be able to create Purchase Requisitions if you are using the Purchase Order Approval function.

Inventory Masterfile Setup

Go to the inventory Masterfile and select the Reorder tab. Thereafter enter the details as below. Refer to the numbering in RED in the screen below.

1) Reorder Point for all Locations – This will set the Max Level across allocations and is used to determine order points for the company – generally used for central store purchasing
2) Minimum Level – This is the Minimum level for all locations – associated with Centralized Ordering
3) Safety Factor – Safety factor used to calculate the Minimum Level
4) Order Lead Time (Days) – Vendor Delivery Lead Time
5) Days Sales In Stock – Number of Days Sales Stockholding Required
6) Economic Order Factor – The multiple on which to Order goods from your Vendor
7) Minimum Order Quantity – this is the least amount that can be ordered for this Item
8) Average Daily Sales – Average daily sales are calculated during the Inventory Forecasting process.
9) Minimum Level – Minimum level used to trigger the reorder process, calculated as follows: (Order Lead Time x Average Daily Sales) x (1+ Safety Factor)
10) Maximum Level – Minimum Level + (Days Sales in stock x Average Daily Sales) rounded up to Greater of Economic Order Factor or Min Order Quantity

Inventory Forecasting

Now that you have setup the Reorder levels you need to generate the forecasting process as seen below with recommended new minimum and maximum inventory levels. The first thing you need to do is to determine whether this process is run per location or as an overall company (15). Then select the period on which you wish to forecast the daily sales, as depicted by point (1) below. As you can see you also have the ability to filter, or process, by inventory category (2).

Other field data as follows:

3. Stock Days to Forecast – this will allow you to mass update the Days Sales field (12)
4. Sales – this is the unit sales for the dates selected on section (1)
5. Daily Sales – this is the average sales per day
6. Adjusted Daily Sales – this is the overriding daily sales to calculate the Min and Max levels
7. Sales Last 7 days – sales on the previous 7 days from the system date
8. Order lead time – Order delivery Lead Time in Days per the Inventory Masterfile
9. Safety Factor – This is the excess safety Stock Factor per the Inventory Masterfile
10. Old Min Level – Previous Minimum Level
11. New Min Level – New Minimum Inventory Level that will be updated to the Masterfile on Saving
12. Days Sales – This is the number of days Sales to Stock
13. Old Max Qty – Previous Maximum Quantity
14. New Max Qty – New Maximum Quantity that will be updated to the Masterfile on saving

Processing Vendor Orders

The processing of Vendor orders can be made in one of, or using a combination of the following 3 ways:

Inventory Reorder Report

The standard reorder report has been extended to include the new Minimum and Maximum Levels, Economic Order Quantity and the Minimum Order Quantity. The reorder report has the ability to group order items by Preferred Vendor facilitating the reorder process.

Quick Order Form

Regarded as one of Palladium's best kept secrets, the Quick Order Form has all the functionality of the Inventory Reorder Report and more, and allows you to select the items for reorder within a Vendor Purchase Order, allowing you to filter on only those items purchased from a specific Vendor.
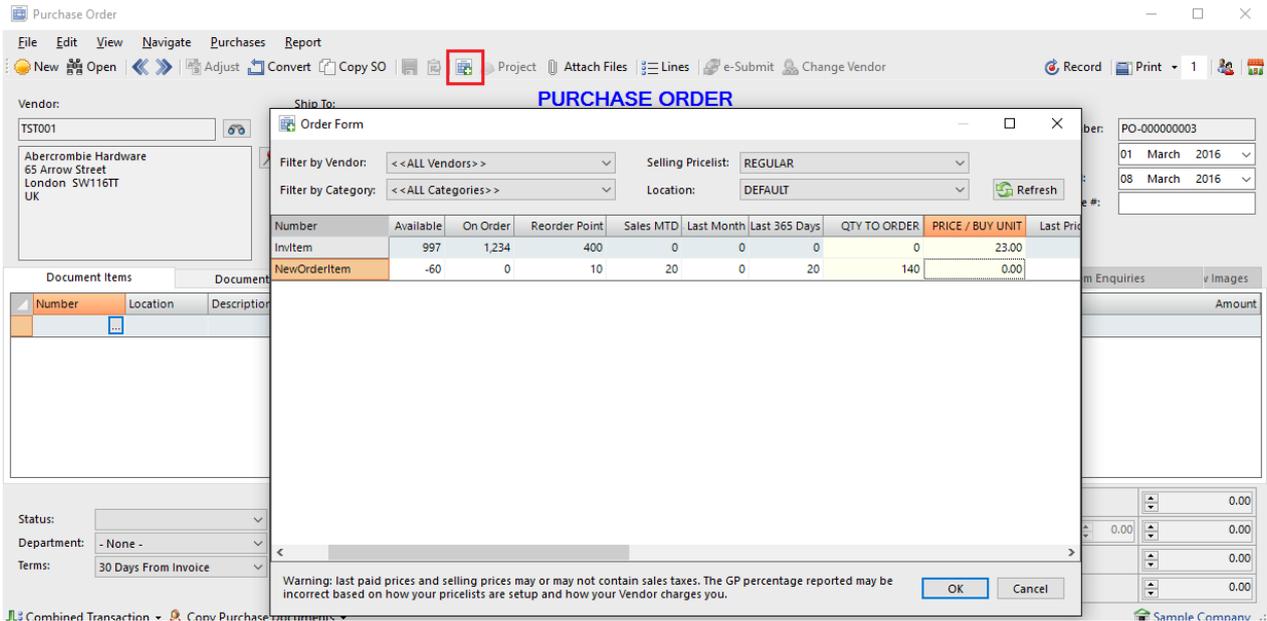
Bulk Reorder Form

This is a new feature that allows you to load all items for reorder (per location) and create mass Purchase Orders from one screen. Note that this feature is only applicable where reordering is done at a per Inventory Location (Store) level. Below is an example of the Inventory Reorder Form. Once complete you will select the Generate Purchase Order