



NetSuite Implementation, Consulting, and Support



# ALL ABOUT INVENTORY

Rocky Mountain NetSuite Users Group

# AGENDA

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- Different Types of Inventory Records
- Standard vs Average Costing
- Elements of an item record
- Warehouse locations
- Transferring inventory
- Importing and exporting
- Inventory Management
- Purchase order to payment process
- Drop shipping and special order inventory

# FEATURES BEING DISCUSSED TODAY

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The features discussed today may or may not be available to your NetSuite account. The demo account being used has almost every inventory related feature turned on. My goal is to give you a better understanding of some key inventory related features that NetSuite has to offer.

Further research will most likely be required on your part to fully understand these features and the many ramifications of using them.

The RMNSUG LinkedIn forum is available to all members to ask detailed follow up questions that may not be able to be addressed adequately here.

SuiteAnswers has tons of great information including video training



# FEATURES BEING DISCUSSED TODAY

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Some Advanced Inventory features:

- Bar Coding and Item Labels
- Lot Tracking
- Pick, Pack, and Ship
- Serialized Inventory
- Multiple Units of Measure
- Demand based inventory replenishment data



# DIFFERENT TYPES OF INVENTORY

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## Physical Item Types

- Items
  - Matrix Items
- Kits/Packages
- Item Groups
- Assembly Items

# DIFFERENT TYPES OF INVENTORY

- Non-inventory Item Types
  - **Non-inventory for sale** – to sell items you custom create for each order
  - **Non-inventory for purchase** – office supplies you purchase but do not sell
  - **Non-inventory for resale** – drop-ship items that you do not store but you sell directly from the vendor
- Others
  - Service Items
  - Download Items
  - Gift Certificates
  - Other Charge Items (think gift wrapping)

# STANDARD VS AVERAGE COSTING

## Standard Cost

Enables you track standard costs for items and to track variances between these expected costs and actual costs

- Value inventory at a predetermined cost
- Helps to determine projected profit margins
- Track variances between actual and standard costs
- Helpful for managerial planning
- Requires setting up cost categories and cost versions
- Requires regular maintenance long term to update standard costs
- Mostly used in manufacturing



# STANDARD VS AVERAGE COSTING

## Average Cost (moving average method)

Inventory costing is calculated as the total units available during a specific date range divided by the beginning inventory cost plus the cost of additions to inventory.

- Profit margins are determined by the actual costs of goods
- You can measure your performance against the historical costs of your inventory
- No upfront set up required
- No regular maintenance required
- Most common method used for inventory costing

The costing method cannot be changed on an item record once that item has transactions associated with it.

# ITEMS

Individual items that are sold and tracked by themselves

- Tent



# MATRIX ITEMS

Similar items in a variation set.

- Parent Item (not a real item)
- Subitems (actual items)
  - Vary by options such as Size and Color
  - S, M, L, XL, XXL



- Best Practice – Use the ‘Matrix Item Assistant’ to create Matrix items.

# ITEM GROUPS

An item group is a unit composed of items from your inventory. A group is sold as one unit, but has several member components.

- **Ultimate Camping Kit**
  - Tent - \$300
  - Sleeping Bag - \$200
  - Mattress - \$100
  - Stove - \$50
- **Total - \$650**



# KITS/PACKAGES

A kit/package is a unit composed of items from your inventory. A kit is sold as one unit, but has several member components.

- **Ultimate Camping Kit**
  - Tent - \$300
  - Sleeping Bag - \$200
  - Mattress - \$100
  - Stove - \$50
- **Total - \$599.95**



# ASSEMBLY ITEMS

An assembly item is an inventory item made of several components, but identified as a single item. Assemblies are manufactured by combining raw materials you stock.

- Fabric
- Thread
- Zippers
- Mesh
- Strap material
- Aluminum poles



# DIFFERENCES



Function	Assembly	Kit/Package	Item Group
Members can include:	inventory items non-inventory items assemblies service items other charges	inventory items non-inventory items assemblies kits service items	inventory items assemblies kits service items
Pricing:	item price is <b>independent</b> of its members' prices	item price is <b>independent</b> of its members' prices	item price is <b>dependent</b> on its members' prices
General Ledger Accounts:	able to identify a Cost of Goods Sold (COGS), income, and asset account separate from its components' accounts	able to identify a separate income account	No account designation available
Inventory Impact:	Building an assembly: decreases the asset accounts of member items increases asset account of the assembly	Fulfilling a kit: decreases the asset account of member items	Fulfilling a group: decreases the asset account of member items



# KEY ELEMENTS OF AN ITEM RECORD



# KEY ELEMENTS OF AN ITEM RECORD

- **Internal ID**
  - For use in NetSuite only
- **External ID**
  - Optional if you have external systems that use a unique ID for each SKU
  - Can not be displayed on an Item record. But you could source it from a workflow.
  - External ID example: 985-96305
- **Item Name/Number**
  - Up to 60 characters
  - Appears in lists on transactions
- **Display Name/Code**
  - If this is populated, it will appear on the Item column on transactions
- **UPC Code (12 digits)**
  - Can also use EAN codes (13 digits)

# KEY ELEMENTS OF AN ITEM RECORD



- Vendors

- Vendor Code
- Purchase price
  - Only shows to 2 decimals, but it really saves more digits
- Quantity Pricing Schedule
  - Pricing schedules allow you to assign a specific discount based on the quantity purchased.
  - Pricing schedules can also be used to define quantity discounts that you get when purchasing from certain vendor
- Preferred
  - This is the vendor that the item will come up to be purchased from automatically

# ITEM PRICING



- Set up price levels for each item
- Price levels can be assigned different discount or markup amounts
- You can assign a Price Group to individual customers
- To set up custom pricing groups:
  - First set up the Price Level with the Markup or Discount amount
  - Then set up the Price Group with the same name as the Price Level
  - Assign the Price Group to the item record
  - Assign the Price Group to specific customers
- Customers can also just be assigned a Price Level



# INVENTORY LOCATIONS

# INVENTORY LOCATIONS



- Some elements of a Location

- Quantity on Hand
- Value
- Average Cost
- Last Purchase Price
- Reorder Point
- Preferred Stock Level
- Lead Time
- Safety Stock Level
- Quantity on Order
- Quantity Committed
- Quantity Available

# INVENTORY LOCATIONS

- How to add inventory - 3 methods

1. Item Receipt

- Must be received from a Purchase Order or Transfer Order
- Adds the received inventory to the location specified on the item receipt

2. Inventory Adjustment

- Not reliant on Purchase Orders
- Should only use for adjustments that are corrective ie. missing inventory, or inventory once missing but then found
- Does not balance out the GL. So you can adjust inventory in without showing that it has been paid for.
- Preserves LIFO and FIFO costing

# INVENTORY LOCATIONS



## 3. Adjust Inventory Worksheet

- The Adjust Inventory Worksheet form is used to enter changes to the quantity or value of inventory items other than lot numbered items, serial numbered items, or inactive items.
- Adjusts Inventory quantities **exclusive of previous stock totals**
- Costing history is averaged. LIFO and FIFO is not preserved.
- Updates average cost thereby resetting the historical average cost information

# INVENTORY LOCATIONS

- Differences between Adjust Inventory and Adjust Inventory Worksheet
  - The Adjust Inventory form is inclusive of the previous stock total. The Adjust Inventory form adds 10 to the previous inventory count.
  - The Adjust Inventory Worksheet is exclusive of previous stock total. The Adjust Inventory Worksheet form resets the inventory count to 10 on the date of the worksheet, regardless of the previous count.



# INVENTORY LOCATIONS

- Bins

- Bin management identifies places in your warehouse where you store inventory items. Bins help you track on-hand quantities within a warehouse. Tracking items by bins can help organize receiving items and simplify picking items to fulfill orders.
- Each item can be put in one Bin - or-
- One Bin can have multiple items in it
- Each Location can have a preferred Bin per item
- Bin numbers can be alpha, numeric, or alphanumeric

# INVENTORY LOCATIONS

- Bins

- One example is alphanumeric
  - Example - bin number AFE-05
    - A is the main section (20 rows)
    - F is the row (6 sets of shelves)
    - E is the set of shelves (10 individual shelves)
    - 05 is the shelf number
    - There are multiple boxes on each shelf with the item number on them

# BINS WITH MULTIPLE ITEMS PER BIN

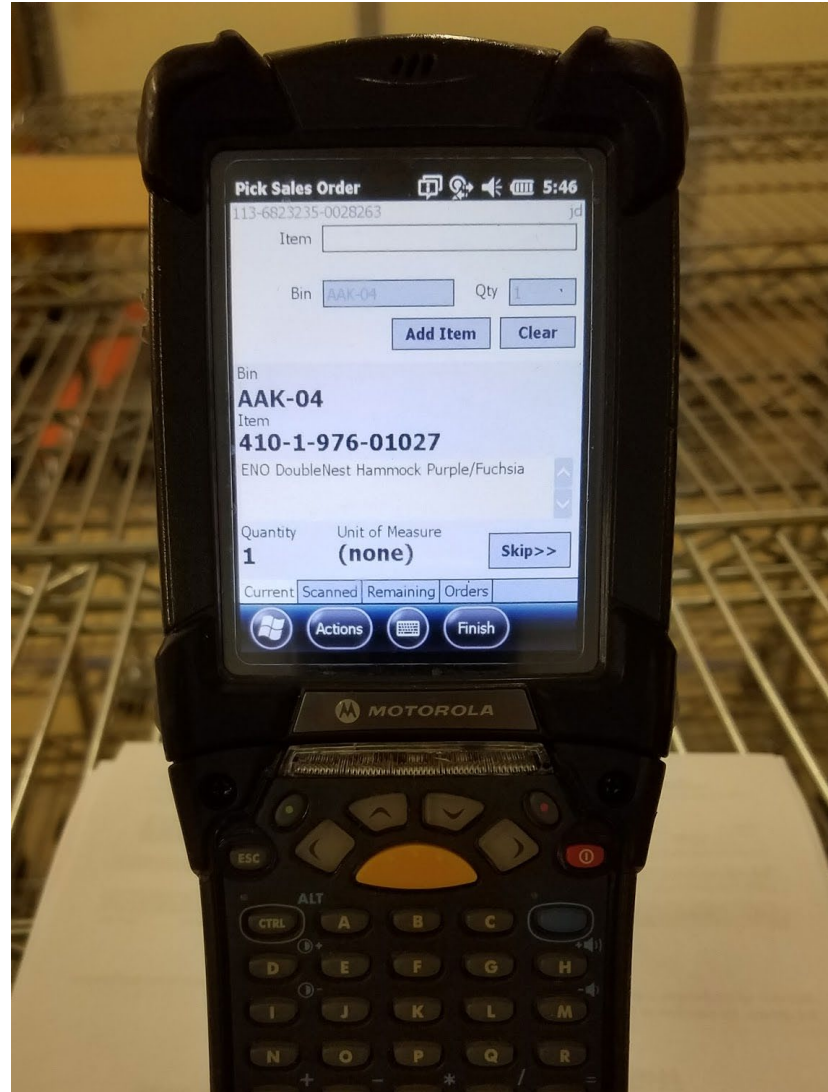




# BINS WITH ONE ITEM PER BIN



# EXAMPLE OF RF SCANNER USE WITH BINS



# INVENTORY LOCATIONS

- Bins

- Bin Putaway Worksheet

- If items get received without assigning a bin, then using the Bin Putaway Worksheet lets you put away multiple items to their preferred bin automatically.
    - Can be used to print out a list of the items to put away and where
    - When using Bins, most inventory based transactions will require a bin. So items must be in a bin for those transactions to work. Example is item fulfillments.



# **INVENTORY TRANSFER VS TRANSFER ORDER**

# INVENTORY TRANSFER VS TRANSFER ORDER

## Inventory Transfer

- A simple transaction to move inventory from one warehouse to another
- No other records are created in this process

## Inventory Transfer Order (think Sales Order)

- Triggers a series of events facilitating moving the inventory from one warehouse to another
- Some elements of a transfer order:
  - Transfer cost
  - Shipping method
  - Ship to location



# TRANSFER ORDER

- An Item Fulfillment is first created to remove the inventory from the current warehouse
- An Item Receipt is then created to add the inventory to the receiving warehouse
- This process is designed to be able to track inventory movement between physical locations
- If items to be transferred are not in the 'from' location, then a backorder will be created for that item. Then when the item is received, it will automatically get committed to the Inventory Transfer.



# **IMPORTING AND EXPORTING INVENTORY**

# IMPORTING AND EXPORTING

## CSV Imports

- Importing basics:
  - Kit components have to be uploaded using multiple files
  - You can create an upload template in Excel, and create a matching Saved CSV Import to save the mapping between the template and NetSuite fields

## Exporting

- Exports can be done from Item List views or Saved Searches
- The fields to be exported are whatever you see on the screen
- You can then manipulate the data and re-import the changes

# IMPORTING AND EXPORTING

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Other Inventory related import options:

- Inventory Adjustments
- Inventory Transfers

These can be a little tricky and sometimes just require a little trial and error. You can always delete the record you import if you mess it up through trial and error.

\*Best Practice - Once you figure it out, make a template and matching Saved CSV Import.



# **INVENTORY MANAGEMENT**

# INVENTORY MANAGEMENT

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## Inventory Management Preferences

- Use lead time and safety stock per warehouse
- Default Lead Time
- Default Safety Stock
- Default Preferred Stock Level
- Order Analysis Interval
- Seasonal Analysis Interval
- Estimated Demand Change

# INVENTORY MANAGEMENT PREFERENCES



- Transactions to consider
  - Sales Orders vs Cash Sales
- Day of week to perform calculation
- Time of day to perform calculation

# INVENTORY MANAGEMENT PER ITEM



- Preferred Stock Level
- Reorder Point
- Lead Time
  - Lead time is calculated by taking the number of days between the order entry and receipt on the three most recent purchase orders, and dividing by three.
- Seasonal Demand (check box)
- Reorder Multiple
- Safety Stock



# INVENTORY MANAGEMENT PER ITEM

- Auto-Calculate Reorder Point
  - **Without** safety stock defined:
    - $\text{Reorder point} = (\text{average lead time days} * \text{demand})$
  - **With** safety stock defined in days:
    - $\text{Reorder point} = [(\text{average lead time days} + \text{safety stock days}) * \text{demand}]$
  - With safety stock **quantity** defined:
    - $\text{Reorder point} = [(\text{average lead time days} * \text{demand}) + \text{safety stock quantity}]$

# INVENTORY MANAGEMENT PER ITEM



- **Auto-Calculate for Preferred Stock Levels and Reorder Points**
  - NetSuite calculates new levels only when there is activity on the SKU. If there is a gap in sales history, then the levels will not get recalculated. This can cause issues with accurate stock levels, specifically overstocking items that you shouldn't be stocking anymore because there are no sales.
  - A long period with no sales does not mean that NetSuite will decrease the Preferred Stock Levels. There has to be some sort of activity.



# **PURCHASE ORDER TO PAYMENT PROCESSES**

# PURCHASE ORDER TO PAYMENT PROCESS

## Buyer's Side

1. Create a Purchase Order for items either via **CSV Import, Order Items** screen, or from a **Purchase Request**
2. Print, fax, or email the **Purchase Order**
3. **Purchase Order** then enters the receiving queue
4. Receive the **Purchase Order - Item Receipt** is created
  - a. Updates item stock levels and tracks how much is still on order
  - b. Updates the total asset value of your inventory
  - c. Allocates items to existing sales commitments and backorders.

# PURCHASE ORDER TO PAYMENT PROCESS

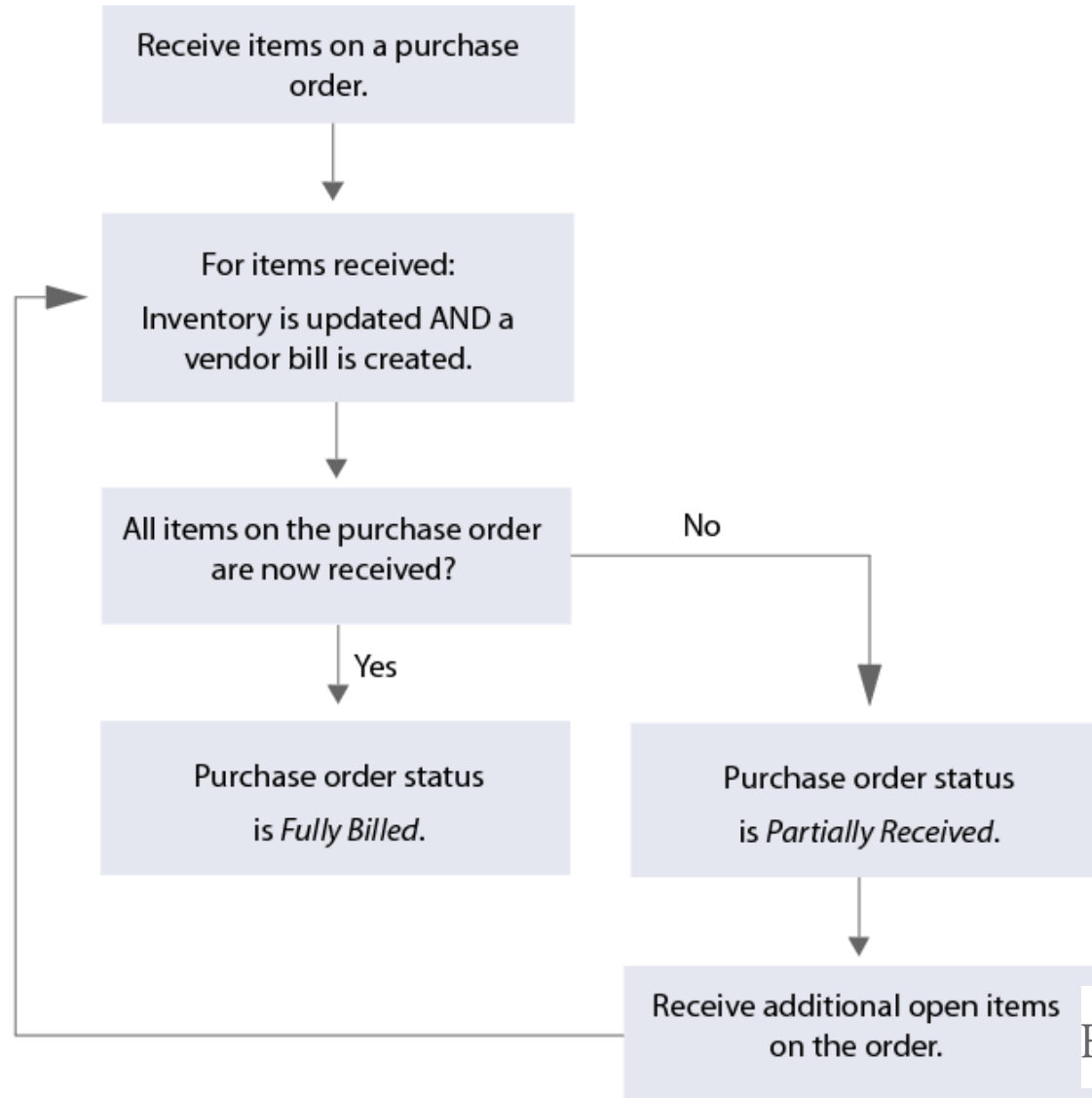
## Buyer's Side

7. An invoice is then received from the vendor that needs to be paid
8. A **Bill** is created to pay the invoice
9. A **Bill Payment** is then created to actually send money to the vendor
  - a. The **Bill Payment** defines how the vendor will be paid. Check, ACH, or Credit Card and when the payment is due.
10. The PO now has the status of **Fully Billed**

# PURCHASE ORDER TO PAYMENT PROCESS

## Buyer's Side

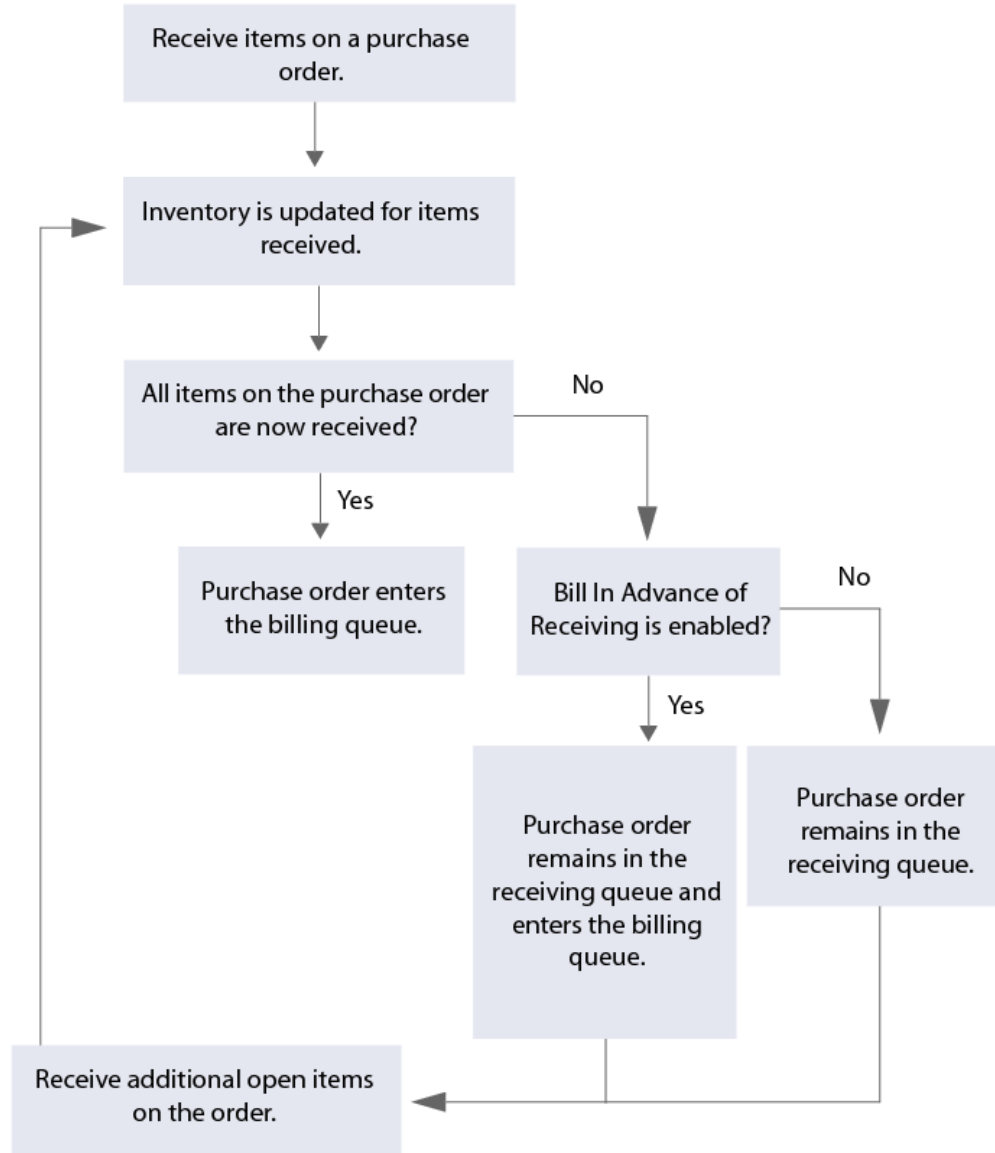
Method 1 of  
receiving  
inventory and  
billing



# PURCHASE ORDER TO PAYMENT PROCESS

## Buyer's Side

Method 2 of  
receiving  
inventory and  
billing



# PURCHASE ORDER TO PAYMENT PROCESS

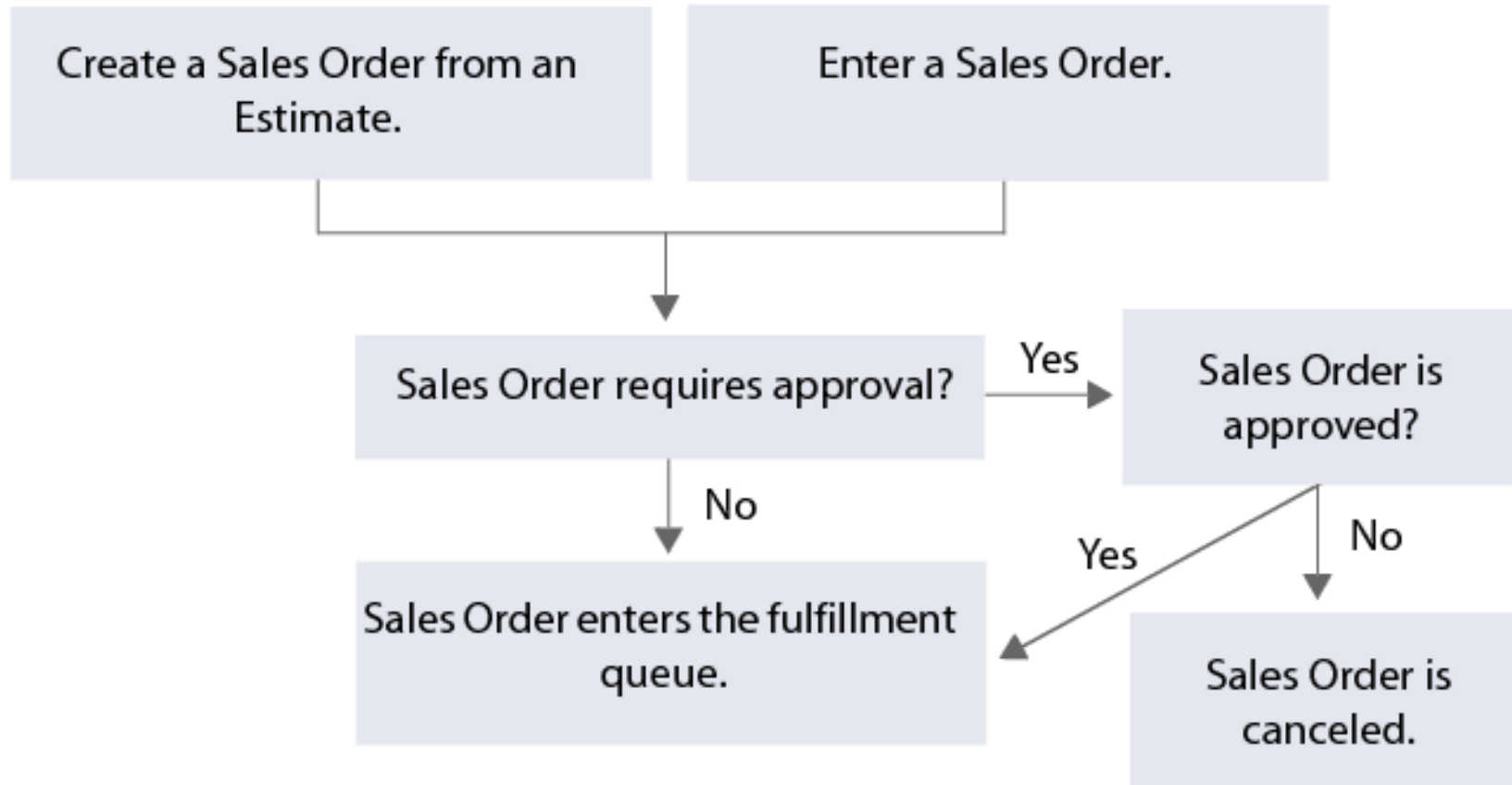
## Seller's Side

1. A PO is received from a buyer
2. Enter a **Sales Order** for the PO
  - a. Different types of Sales Orders
    - i. **Standard Sales Order** – A standard sales order lets you create an invoice or a cash sale, based on whether you enter billing terms or a payment method.
    - ii. **Standard Sales Order - Cash Sale** – When you bill this type of sales order, a cash sale transaction is created in the system.
    - iii. **Standard Sales Order - Invoice** – When you bill this type of sales order, an invoice is created.
    - iv. **Standard Sales Order - Progress Billing** – Progress sales orders can be billed at intervals according to the fulfillment progress of the goods or services.



# PURCHASE ORDER TO PAYMENT PROCESS

## Seller's Side



# PURCHASE ORDER TO PAYMENT PROCESS

## Seller's Side

1. A PO is received from a buyer
2. Enter a **Sales Order** for the PO -
  - a. Either Pending Approval, or Pending Fulfillment
3. Once approved, create an **Item Fulfillment** to ship the product
4. Once fulfilled, then the **Sales Order** is then marked as **Pending Billing**
5. Billing a sales order turns an approved **Sales Order** into an **Invoice** or **Cash Sale**.
6. A **Cash Sale** or **Invoice** is the end of the line. **Invoices** will still need to have a payment applied to them, but a **Cash Sale** represents payment received.

# DROP SHIPPING

A process to be able to order and track a Drop Shipment from a 3rd party vendor

## Two options to create a Drop Ship

**Option 1:** Set the Inventory Item as a Drop Ship item. Marking the Drop Ship checkbox on the item record sets the item to be automatically drop shipped when it is ordered by a customer.

When a sales order is created for a Drop Ship item, a purchase order is automatically created. You can either send the purchase order manually, or have it email or fax automatically.

# DROP SHIPPING

**Option 2:** Create a Drop Ship purchase order manually from the Sales Order if the item is backordered.

Drop shipping characteristics:

- Inventory is never received into your warehouse
- Once the item is shipped from the vendor, then you “receive” the Drop Ship PO, and enter a tracking number if required.
- An Item Fulfillment is created signifying the shipment of the order
- The Sales Order is then Pending Billing

# SPECIAL ORDER

A process similar to Drop Shipping, but the inventory is actually received into your warehouse prior to fulfillment.

## Two options to create a Special Order

**Option 1:** On the Item record, check **Special Order Item**. When this box is checked then anytime a Sales Order is entered for this item, a purchase order will automatically be created. But this time the shipping address is your warehouse, and not the customer. Again, you can either have the purchase order sent automatically or choose to send it manually.

# SPECIAL ORDER

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**Option 2:** Create a Special Order PO from the Sales Order if the item is backordered.

- The main difference here is that when the item is received in your warehouse, it will automatically be committed to the order with that item backordered on it
- Then you fulfill the order as usual

# THANK YOU!

Cory Anderson  
Managed Services Manager  
csanderson@eidebailly.com



**NetSuite Implementation, Consulting, and Support**

