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BUSINESS GUIDE

The Right Stuff: How Manufacturers Are Using Cloud ERP for Optimal Inventory Management





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The Right Stuff: How Manufacturers Are Using Cloud ERP for Optimal Inventory Management

Throttled by disparate systems, spreadsheets, and too many manual processes, growing manufacturers are turning to cloud-based enterprise resource planning to manage inventory, save on labor costs, and improve the customer experience.

Inconsistent demand, manual inventory tracking, inaccurate data, and limited visibility can all get in the way of good inventory management for manufacturers. Whether they're making durable or non-durable goods — or both — these companies can benefit greatly from having a centralized inventory tracking system that incorporates accounting capabilities.

Unfortunately, most manufacturing firms outgrow their starter inventory systems once their operations reach about \$10 million in revenue. At that point, the need for an all-inclusive Enterprise Resource Planning (ERP) solution becomes clear, particularly to companies that have relied on disparate, disconnected software.

“A lot of manufacturers struggle with disparate systems, and many of them are still using spreadsheets to track certain assets and inventory,” said Eric Sheehan, CPA, CEO at OTT, Inc., a NetSuite Solutions Partner. “Their systems don't provide complete visibility into what's going on in their businesses without having to log into other systems and/or create manual reports.”

These challenges are fairly common in the manufacturing sector, where limited inventory visibility often results in incomplete, delayed, and inaccurate shipments being sent out to customers. When companies can't properly receive, account for, and then pick the right stock to fulfill orders, the customer experience is impacted, and manufacturers lose revenue.

Labor Isn't Cheap or Easy to Find

Rising labor costs are also pushing more manufacturers to rethink their inventory approaches, knowing that the fewer tools an employee has at his or her avail, the more manual processes will be required to get the job done. Historically, manufacturers would simply add more headcount as they grew. This approach is both expensive and unviable in an era where available labor is both scarce and expensive to recruit and retain.

"A lot of manufacturers aren't leveraging the available technology that they could be using to automate processes and give their employees faster and easier access to information," said Sheehan. He recently spoke with one manufacturing executive who was evaluating a potential move to NetSuite and who "absolutely loved" the idea of being able to use the ERP's customer portal, which would allow customers to update their own profiles, view their order histories, check their order statuses, and place new orders.

"The portal alone was going to save this particular manufacturer in terms of new hire headcount," said Sheehan. "They have someone in the role today who's about to retire, but because of the portal they won't have to rehire for that position. Instead, they'll leverage the portal in NetSuite in lieu of that 40-hour-per-week position. That's just one example of one cost-saving measure that applies to one small area of the business."

Managing the Ecommerce Channel

Most manufacturers have their own ecommerce storefronts that use platforms like Shopify or Adobe Commerce (formerly Magento). Many times, those platforms run independently of the company's inventory management systems, and thus require integration effort.

In other cases, data must be manually extracted from one system and then entered into another solution in order to achieve basic goals like accurately processing sales and tracking inventory. The same exercise takes place when the data is ready to be transferred into yet another, separate accounting system.

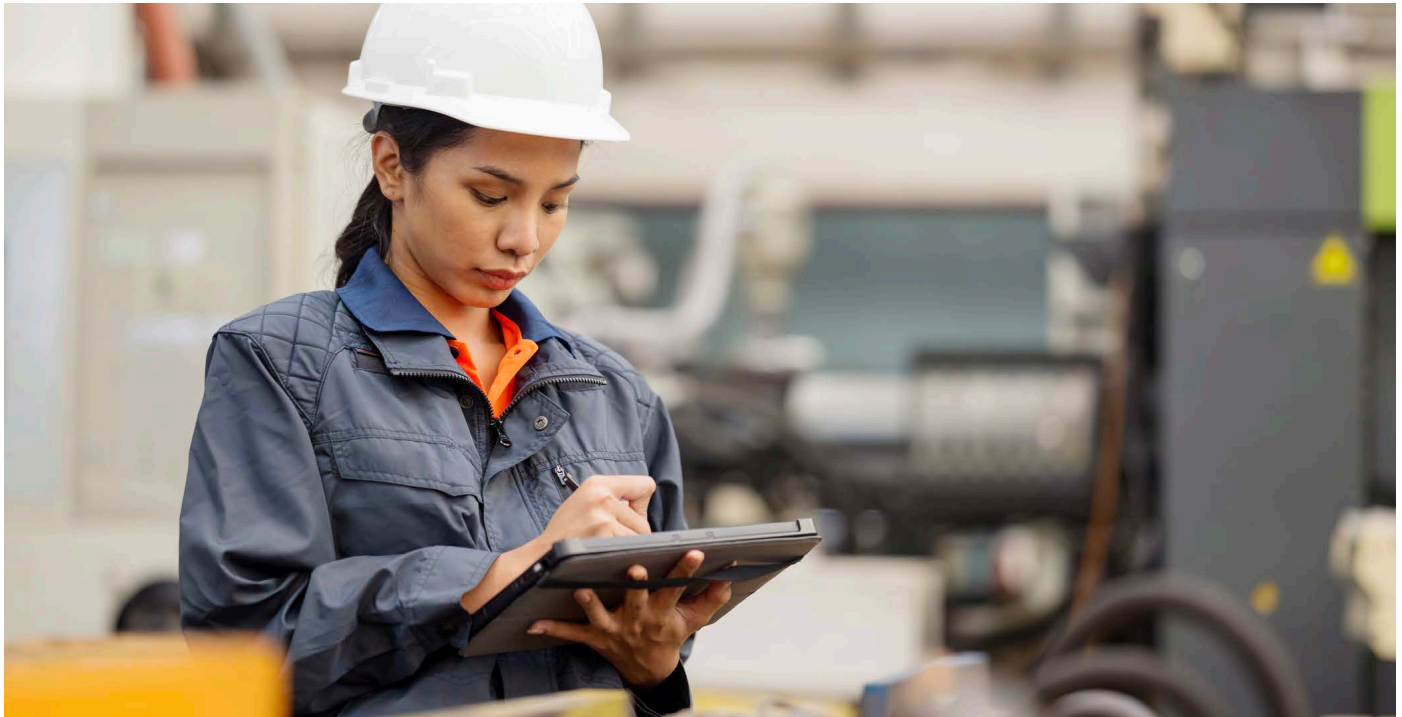
"A lot of manufacturers are running different systems to accomplish these and other tasks on a daily basis. With a cloud ERP like NetSuite, the same company can easily track ecommerce inventory, customer payments and activity, and accounting processes on a single system. In essence, they're replacing multiple disparate systems with a single solution like NetSuite that will provide all of that functionality and more." Eric Sheehan, CPA and CEO, OTT, Inc.

Not All Cloud Software Is the Same

Sheehan said one of the first things OTT does when working with a new manufacturing customer is to educate the company on which ERP solution is the right choice for their specific operations. This helps them make the right ERP choice for their specific operations. OTT stresses NetSuite's position as a true, multitenant, software as a service (SaaS) cloud solution, for example, and explains that the ERP is regularly upgraded with new features and all subscribers are running on the same version of NetSuite.

"NetSuite is also very easy to customize, so manufacturers don't have to worry about upgrades, hardware costs, or having to get internal IT teams involved in system maintenance and upkeep," said Sheehan.

As a boutique firm, OTT has 16 highly skilled professionals who have deep expertise in ERP development, integrations, customer relationship management (CRM), and other systems. The company manages projects from concept to completion, which means manufacturers don't have to work with third parties to get their development, integration, or customization needs met.



The NetSuite Partner works with companies that range from pre-revenue startups to those that have close to \$1 billion in annual revenues, and all steps in between.

“Due to our firm’s size and our highly skilled team, we can serve a wide spectrum of company sizes,” said Sheehan. “Our clients also have direct access to our leadership team and ownership group.”

Up and Running Quickly

For smaller manufacturers that are just reaching the \$10 million annual revenue mark and in need of a centralized ERP to manage their growing operations, OTT can usually get NetSuite in place and live within three to four months. More established companies with higher revenues that want to leverage more of NetSuite’s functionalities can be doing so within nine to 12 months, depending on their specific operations.

Once in place, NetSuite supports the omnichannel sales environment that so many companies are striving for. The ERP helps them reach their customers using many different methods, including via phone or email,

through a self-serve portal, via a website that’s fully integrated with NetSuite, or through electronic data interchange (EDI).

“When manufacturers start using NetSuite, they quickly see the value in leveraging the ERP’s omnichannel capabilities.” Eric Sheehan, CPA and CEO, OTT, Inc.

Manufacturers also get a robust warehouse management system (WMS) that’s native to NetSuite. Without this built-in WMS, companies would have to rely on third-party applications to access the fulfillment data and use it for inventory management. NetSuite also offers the SuiteSuccess implementation framework, which uses industry-specific best practices to provide a fast and viable route to go-live. For example, the SuiteSuccess framework includes established key performance indicators (KPIs) around inventory management.

SuiteSuccess also helps democratize the ERP implementation process and makes the technology more accessible to a wider swath of manufacturers. “With a SuiteSuccess deployment, you can save anywhere from 10% to 20% in costs because many elements are pre-configured, compared to other solutions that are out there,” said Sheehan.

“Manufacturers that want to leverage Power BI usually have to build those KPIs, for example. With NetSuite, those KPIs are available out-of-the-box and part of the SuiteSuccess model.”

Eliminating Manual Processes

With NetSuite in place, manufacturers can also eliminate the manual processes once needed to track inventory across their omnichannel operations. They know where everything is at any given time and can confidently fulfill customer orders.

This, in turn, leads to happier customers that come back for more.

And once they get all their data into a single system, growing manufacturers no longer need multiple pieces of middleware to connect their disparate systems. Eliminating middleware can save a manufacturer upwards of \$15,000 per year in IT maintenance and subscription costs.

“This frees up more time for internal IT professionals to work on more important tasks, versus the manufacturer having to invest in ‘more people to do more things,’” said Sheehan.

Manufacturers also get built-in customer and vendor portals that both support self-service and minimize the amount of time employees spend responding to customer requests, answering vendor questions, figuring whether invoices have been paid, and similar activities.

“At the typical manufacturing firm, customer service reps are inundated with phone calls about pretty much everything,” said Sheehan, who sees NetSuite’s customer and vendor portals as a key selling point for manufacturing firms that want to free up those hours to focus on more important projects.

“In most cases, manufacturers are just amazed by NetSuite’s self-service functionality that customers and vendors are able to access,” Sheehan said. “Once a manufacturer gets their customers and vendors set up on those portals, they can self-serve instead of having to call or send an email to request information. That’s a pretty big ‘wow factor’ for a manufacturer that was previously allocating a lot of internal resources to those activities.”

The Right Stuff

Making sure the right stuff is in the right place and at the right time is becoming more complex, especially as customer priorities shift.

With NetSuite, manufacturers get a single, real-time view of inventory across all of their locations and sales channels. They can also optimize inventory levels, reduce the amount of inventory on-hand, and avoid stockouts, all of which help manufacturers lower their inventory costs without negatively impacting the customer experience.



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