

Taking Stock: Inventory Innovations in the Information Age



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Announcer:

Welcome to THRIVE, a Paychex Business Podcast where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host Gene Marks.

Gene Marks:

Hey everybody, this is Gene Marks and welcome back to THRIVE, a Paychex Business series Podcast. Today I'm speaking to Lucas Miller. Lucas is a vice president of implementation for a company called Fishbowl. Now, maybe you've heard of Fishbowl, maybe you haven't. If you're in the accounting world like me, you definitely have. Fishbowl makes inventory management software. They cut their teeth on QuickBooks, they were like whatever QuickBooks couldn't do with inventory, Fishbowl did it, still does it. But now Fishbowl also integrates with a bunch of other accounting softwares and other technologies as well. And this whole conversation that we had today is all about inventory. Now, don't fall asleep on me and don't turn things off. If you're selling inventory, if you've got products in your business, it's like your core asset of your company. I've always been fascinated by the topic of inventory because it's one of those topics that people — like taxes, we tend to avoid, because it's boring and yet it's so critical to our profits.

Gene Marks:

So that's what we're going to talk about. Lucas has got thoughts. This guy's been doing this for like 15 years. He's got thoughts on whether you should be counting your inventory at the end of the year or just relying on cycle countss. Have you ever heard of the ABC method of tracking your inventory? He's going to talk about that as well. He's going to talk about whether or not you have reorder points, both minimum and maximum reorder points. Do you have those? You should, and he'll explain to you what he means by that. We're also going to talk about obsolescence, key metrics that he likes to follow as well. The types of people you shove in your warehouse and technologies that are really important right now, what he's seeing out in the world, what I'm seeing as well among clients that are putting some automation and robotics into their warehouses and their inventory systems.

Gene Marks:

These are all things that you need to know about. Oh, and we're going to talk about barcoding and RFID – Radio Frequency ID. It's a conversation that's all about inventory, and if you're selling products, this is something I think you really do need to listen to. It will help you out significantly.

Gene Marks:

All right. So listen, I know Fishbowl really, really well. We have many, many clients that have used it over the years, particularly integrating with QuickBooks, but just for the sake of our audience, tell us a little bit about what Fishbowl does.

Lucas Miller:

Yeah. So Fishbowl is an inventory management software that works alongside with QuickBooks. And we work from anywhere from the wholesale and distribution industry, or our bread and butter is really in the manufacturing industry. So if they do light to kind of heavy manufacturing, we can handle the processes, make sure we're handling all the orders from purchasing to what they need to manufacture to then getting it out to the customers. And then we let QuickBooks handle what it's great at, as the accounting side.

Gene Marks:

That's great. And you've been there for, like you said, like about a hundred years, something like that, 90 years?

Lucas Miller:

Close to that, it feels like it sometimes, but I've only been there about 15 years now, just over it. So love what I'm doing and I've kind of started from the base and worked my way up.

Gene Marks:

All right. Fair enough. All right listen, let's talk inventory now for the remainder of our podcast. We're now about to lose 90% of the people that were listening to us, but that's okay. When I've been writing and when I've been talking to groups of business owners about supply chain issues, right, I find that amongst many of my clients they don't have their arms around their inventory very well. To me, Luke, and I don't know if — I want to get your thoughts on this — it's very, very tough to determine exactly what your supply chain issues are without truly knowing what your supply is, you know? Are you finding this with your customers as well?

Lucas Miller:

It's very true, and especially in today's market and industry where the supply chain is completely disrupted, it's brought to life a lot of other issues and people are like, "Oh, I didn't realize that I didn't know where my inventory comes from, what it is." There was so much that they just didn't understand about their inventory that we've been trying to preach to them for years. If you guys have two sources minimum for your inventory, it just solves a lot of these issues. So many people are just being like, "Oh, I can get it, it's great." But today it doesn't work that way.

Gene Marks:

Yeah it really doesn't. So, to me, we're talking about getting our arms around what we physically have in our plan. So give me your thoughts on counting inventory. Back in the day, as an accountant, as a CPA, we were always big on you need to do annual physicals, count everything out, all that kind of stuff. The world has changed because of technologies like Fishbowl, where inventory, counting it, having a full shutdown once a year is not necessarily needed for a lot of businesses, if you can have a good system of cycle counting. So if you were running a business and you were using Fishbowl — one, would you be shutting down and still physically counting all of your inventory once a year like people were doing in the past, or do you think times have changed?

Lucas Miller:

Times have changed completely. You still hear the companies that shut down and they're like, "Oh, I'm doing it." You just kind of shake your head and laugh is about the only thing you can do, because you're right, if they have a decent inventory system and they're doing proper cycle counts — and usually I use cycle counts and in addition to it, I'd use ABC codes, which is kind of the popularity of your parts. So I go through and I say, "Look, I'm counting my A parts," usually about once a month, I'll cycle through those. My B parts I cycle through those once a quarter to twice a year type situation. And my C parts, I just kind of randomly check them, so I get them maybe once a year. And so it's more, you're trying to take it, you know, small chunks at a time where you're not shutting everything down and counting every inventory. You're just saying, "Hey, let's count these 10 today and these 10 tomorrow." And by the time you get through it you're, you're within 99% accuracy.

Gene Marks:

What happens when there are variances, though? What should be red flags that you're seeing with variances?

Lucas Miller:

So a lot of the variance obviously depends on the company and what their product is. And there is also thresholds that most companies will set — a lot of it is a dollar variance. If it's a high dollar item, they're going to say, "If there's any variance, we're going to try to do an audit on it and track what happened to it."

Lucas Miller:

So it's usually off of the dollars, or if it's like a nut-and-a-bolt type thing, they're going to say, "Well, I should have 50 pounds, but I only have 25." They kind of look at a threshold of what makes it worth it to look into it. And again, if you have a decent system, all you do is say, "Hey, show me all the history for this part." And boom, you can have a printout in a matter of seconds. Here's everything our system shows. Now let's go talk to the personnel that touches that inventory and see if something happened, or they didn't record it, or something like that happened. And that's usually a five, 10-minute process now versus what would take a week or so to try to track before.

Gene Marks:

Right. Luke what's happened as far as data input to manage inventories over the past? You've been there 15 years, so a lot has changed. In the end, our inventory is only as good as the information that should be put into the system. What type of tools does Fishbowl offer or integrate with that can help people make sure that data's getting into the system correctly?

Lucas Miller:

So there's a lot of different integrations and it depends on, kind of points of where your orders come in as a lot of it. So if you're selling on Amazon, eBay, that changes a lot of how the orders come in, but then once it's in, to manage that inventory, you really should have some sort of scanning or barcoding system. And it's not for speed; I want to be very clear. So many people think, "Oh, barcoding's going to speed things up." In your warehouse, it really won't. It's meant to make it accurate. If somebody scans it, it eliminates somebody putting the wrong item in a box. They scan it, put in a box; if they can't scan it, that's going to prevent a lot of the issues. So barcoding is a huge, huge thing that if you can do it, it's going to save you the resources basically, and make sure you're accurate on everything. So it's ... yep.

Gene Marks:

Yeah, that's fine. Barcoding does come with a cost. You got to buy the scanners themselves which usually comes with software, but is it, does Fishbowl sell barcoding equipment, or do you just make it a point to integrate with most standard barcoding systems that are available?

Lucas Miller:

Both. So we sell an inventory barcoding system and the hardware. Also, with the software, when you buy Fishbowl, we have the application for scanning, and it can be run from a cell phone. So if anybody has an apple or an Android device, you can use that. And that's honestly where we're seeing a lot of the industry going nowadays, because you can walk down to any store, and buy a cheap Android device. And it works pretty darn well for everything. It'll use the camera and scan it and keep it accurate.

Gene Marks:

Are you seeing more QR codes being used as opposed to standard traditional barcodes?

Lucas Miller:

QR codes are starting to become more popular. It's still not, it's not a hundred percent. There's a lot of issues when you get into the QR codes that people don't realize. A lot of it is a limit on the system that you're using as well because you need to make sure that your QR code has the data in the order that the system asks for it. So a lot of people don't realize that and so they'll go out and create one and then we're like, "Well you didn't ..." I've seen it where they didn't even throw an item number in there. They had a quantity and a location and we were like, "Great, what is it, though? You're missing the most important piece." So that's where it gets tricky with the QR codes, but they are ... it is getting more and more feasible and viable to use.

Gene Marks:

Right. But as we're talking right now, the end of 2021, if you were implementing a system for a new company or companies automating their inventory, you would still be recommending barcoding over QR codes, at least for the time being — is that accurate?

Lucas Miller:

At least for the time being and your industry might change my answer to that a little bit as well. If you're doing something with a lot of tracking, where it has like a serial number, lot number, expirations, then a QR code might be beneficial. So it's just kind of weighing the cost benefits of that one.

Gene Marks:

Okay. So we've got barcoding to get accurate data, and potentially QR codes as they grow in popularity. Talk to me a little bit about RFID or Radio Frequency ID. What's the difference between those and barcoding and where do you see RFID going in inventory management going forward?

Lucas Miller:

So RFIDs, I don't use a ton, which is great because it's a big expense to get into, is the hardest part of it. Because you're putting basically a chip on almost every single one of your items. And if you're in a small warehouse, it doesn't make sense financially usually. Just because there's not a lot of movement of your ... You're not moving it from one warehouse to the next, it's just in your one warehouse. It's when you get a big production that the RFIDs are a lot more popular and easier because then your guys go pick it up, and it basically just does the work for you. "Oh, you put, picked it up, moved it from here, it passed the tracker. Oh, now it's in this location." So it automates a lot of it, which is really cool. But the cost is just very prohibitive right now.

Gene Marks:

Yeah, to me it sounds like Amazon distribution centers, like Amazon has, for example are all, all RFID-equipped for that various reason. And just to make sure that I'm clear for those listening, there is a chip that has to go on every single item, however you're tracking it, maybe it's on a pallet, but it could be on an individual item. Depends on how you're tracking your inventory. And you're right — it's like a GPS enabled system. So as things move in the warehouse, that's when the accounting is done. Right now, if you have a barcode system and you move an item from one location to another, you've got to barcode it out and barcode it in. So there's more room for error I guess, or that kind of stuff being missing.

Lucas Miller:

That's correct. The RFID, it's a cool technology.

Gene Marks:

Right, fair enough. All right, Luke, so tell me a little bit about inventory obsolescence. You must have lots of customers that have older inventory or maybe don't track some of their older inventory. What are your thoughts on getting rid of inventory, disposing of inventory, and how you should be managing that process?

Lucas Miller:

So a lot of it, if you have a good inventory system, you shouldn't have that much, if any, obsolete inventory. So we're keeping track saying, "Hey, this stuff isn't moving. You got to make sure you're managing that inventory." If you do start to see where you're getting — heaven forbid, you found a great deal on something and you bought it, and you got way too much of it? There's things you need to make sure you're watching out for. One, it's costing you money to store it on your warehouse. I love walking through warehouses, and no matter what warehouse I've been through, you can walk there and you're like, "Oh, what's this one shelf?" And they're like, "Oh, that's all the crap inventory."

Gene Marks:

[Chuckles] Right.

Lucas Miller:

And you're like, "Well what are we doing with it? What's the cost of it?" They're like, "Oh, it just sits there. We'll write it off eventually." And it just doesn't make any sense to me. So I always try to make sure. So in Fishbowl we have an aging report, so you can see what's moving. We can guide you and say, "Hey, these parts are selling well; these aren't." Try to give a lot more information so we're actually not buying things that we don't need. And that's really where it comes in, is controlling the purchasing side, so you're not putting too much on your shelf, and that's always a tricky balance. You're kind of guessing where the market's going a bit, but if you do your thresholds and everything proper, and have a couple different suppliers, you really don't have to — you know, you'll try to run more lean than anything. The obsolete — it just, it eats up money and eats up space. So it's not a fun thing to have.

Gene Marks:

What are you seeing among your customers about other technologies that are out there? I was recently writing about the significant increase in robots in the warehouse. I'm seeing assembly arms. I'm seeing autonomous carriers, drones even, in a warehouse. You talk to lots of customers, all of different sizes that are using Fishbowl, they're all managing inventory. They all want to manage it as efficiently as possible with the less humans as involved as possible. So I'm kind of curious what other technologies you're seeing that are rising in popularity that you at Fishbowl have got to be dealing with.

Lucas Miller:

So RFID was one of the big, actually things that are coming up with the technology, that we're seeing a lot of those. But another thing that really comes up is, in the manufacturing is just the automation on the machine side. Where they can basically just supply the machine with the goods and it'll produce for 24 hours, if not longer. And it just keeps pumping out the inventory. That's been one of the coolest things to see. There are some amazing machinery out there if you're in the manufacturing world, that can and really make it so you can cut down on the amount of man-time or manpower that you're putting on it. You throw a machine on it and they can make it. It's accurate and it just makes everything so much smoother. And then you can move that warehouse staff, if you need to, or the production staff, to other more critical processes or things where you can't quite automate it yet. But the machines in manufacturing are huge.

Gene Marks:

As an inventory management software, how has Fishbowl changed over the years? I'm assuming it's become much more open to be integrated with other applications. Is that right?

Lucas Miller:

That's correct. When I started, we integrated with QuickBooks and I think that was it. So we basically just had a QuickBooks integration and that we would send information to QuickBooks. Now we have Amazon, eBay, Shopify, WooCommerce, Salesforce. It's really becoming where Fishbowl is turning into a hub for a lot of different softwares. So the order entries or the order management systems or websites, they can then integrate, come right into Fishbowl. We can then integrate with different shipping softwares, so it can then manage your shipping. And then we can be that middle hub — we update all the tracking with everybody — and then update QuickBooks again with all the accounting softwares.

Gene Marks:

Luke, if you were, and I know your title is, you're VP of Implementation, right?

Lucas Miller:

That's right.

Gene Marks:

If I'm a growing business and I've been tracking my inventory manually or not that great on Excel, or even not that great on QuickBooks, I'm like, "All right, I'm going to make the jump into Fishbowl. And I really want to truly automate this." And let's say you are the guy internally that's in charge of migrating an existing, mostly manual system to a Fishbowl. What are some of the things that you would need to be thinking about? How does that process work?

Lucas Miller:

Great question. A lot of it comes down to your data and the cleanliness or integrity of it. So there's people, they have on one spreadsheet — we'll just keep it simple — it was called ABC, and on the next spreadsheet, the exact same item is ABCD, and it just throws so much off, and we're like, "Okay, where's the uniformity?" And a lot of people, again, look to inventory management to say, "It's going to save me time." And in the end, it will, but to get it set up, we need to make sure you have it accurate. And there probably will be some changes in your processes. And that's part of the reason Fishbowl exists is, we are so good, and we have our processes down, that it can be a pain to implement because we're pointing out where some issues are in the business. And if you streamline and switch to the processes, it helps with the entire business and the process flow.

Gene Marks:

I got to jump in and say that I was literally just reading an article today about how software should fit into a business' process, the business shouldn't have to fit into the software's processes. And I just could not disagree more with that statement. I understand that people have a different way of doing things, but you must see among all of your customers, that inventory is inventory. There are some right ways to do it, which I'm assuming Fishbowl has incorporated it into its own processes. That for business to really do it the right way, they, really need to change to adhere to software that does do it the right way. Is that a fair statement?

Lucas Miller:

That is correct. It amazes me how many times people are like, "Oh, well, I could do this before." Yeah you could, but look at where you were at before and where we're taking you. It's just a night and day difference to see things.

Gene Marks:

Which brings me to the question of sort of pushback that you get from customers. Particularly smaller ones, they're used to doing it the way they did it before. Now you're coming in with this new system. So what are the headaches that you guys have, that you wish your prospective customers in the future knew about so you could avoid having these discussions.

Lucas Miller:

We hit one of them, which is data. That is our biggest pain point. And especially with today's market where people are selling on three or four different selling channels, Amazon, their own site and somebody else, if they don't have uniformity in their data, it is just a pain process. The other thing that I would recommend is anytime you're doing a system, any new system, have one person that is in charge and that person better know your business. We get it all the time where they throw the intern at it, and it's great; good experience for the intern, but it's always, "Oh, I got to go use this." Or "I got to find this question." And if somebody that was in charge and knew the business, it could make the onboarding process so much easier.

Gene Marks:

Which makes me laugh because inventory, for most businesses that have inventory, that's like their core asset of their business — that is it. And then here they are automating their inventory system, yet they're throwing like, a kid out of college to like take control of that project.

Lucas Miller:

Yep.

Gene Marks:

Luke, metrics, before I let you go. I know we only have a couple minutes left, but again, you're running an inventory system — give me an idea of some metrics. I don't want to hear about inventory turnover, your gross margin. We kind of get that theoretically. I'm just wondering on a daily basis or a weekly basis, if you're running, you're in charge of inventory at a business, are there any sort of real-time metrics that you think that Fishbowl provides, that you'd be keeping an eye on, just to make sure nothing is going out of whack? Does that make sense?

Lucas Miller:

Yep. So one of them would be the min/max levels or reorder points. It's a huge one that I look at, and then the other one that goes hand-in-hand with the cycle counting, is your ABC codes. It's kind of a dying product is what's funny is, a lot of people don't use it, but the ABC codes? If I'm in inventory, I'm looking at my ABC codes and recalculating those on a weekly basis.

Gene Marks:

So just so we know, you mentioned ABC codes at the beginning of this conversation, you've got your, A inventory, your B inventory, your C inventory. Your A inventory is the stuff that's turning over the most. That's what's making you the money. B is in the middle of that, and C, is hardly turning over at all. Right?

Lucas Miller:

Yep. Exactly.

Gene Marks:

So what do you mean by ABC codes? Isn't that always the case, or what are you looking at when you say ABC codes?

Lucas Miller:

So I'm looking to see if any items are moving between A and B. Like if they're switching their positions in my inventory. 'Cause your inventory sells ... most industries have seasons, but even within the seasons, they have another season. So I want to look and see, okay, is this an A part today versus tomorrow? Because then if it was an A part, and now it's a B part, okay, let's maybe move that a little further back in my warehouse where I don't need it as much. And then the C parts, I'm like, hey, let, let's throw that out basically in the rain and almost get rid of it type situation. It's something I don't need. And so I'm looking at my C parts, and I'm looking and saying, "Hey, these aren't moving. What do I need to do to get rid of them? Because it's taking up my space, and taking up my assets."

Gene Marks:

I love that. I love that. So you're looking at ABC codes, what's moving and what's not moving. And also you're keeping an eye out on minimum and maximum reorder points, right? Are you a believer in automation when it comes to reordering? Like when it hits a certain point, and a PO is automatically generated, or do you feel that some human involvement is needed beforehand?

Lucas Miller:

I like the automation that it triggers to say, "look to order this." I don't like the automation of ordering it per se. Fishbowl can do both. And it's more of just, I like to have that final control, and that should be your purchasing agent that says, "Hey, yep. I agree. I need this. This is what the system tells me. Let's just double check to make sure. I don't know — some random, Fishbowl doesn't know what's going on in the market, or in the world — let's look and see, oh, do I really need to buy some shorts as we're going into the fall season?" There's different things that you need to look at.

Gene Marks:

Luke, this is great. I can about talk about inventory all day. Like I said, we put the entire audience to sleep, and yet I find this fascinating stuff. And it makes me laugh because I like to put people to sleep talking about taxes, because taxes are like 20% of your — It's like your biggest cost! And for a lot of businesses, inventory is the core asset. So I think you've given us some great, some great thoughts. Anything I'm missing before I let you go? Any thoughts that you would want to leave our audience with when it comes to managing their inventory?

Lucas Miller:

Just keep ... let you manage your inventory, don't let it manage you, is really where I, every time I end.

Gene Marks:

Thank you. Lucas Miller is the vice president of implementation at Fishbowl — fishbowl.com. Correct?

Lucas Miller:

fishbowlinventory.com

Gene Marks:

Ah, fishbowlinventory.com. Thank you very much, Luke, that was great. Thank you so much for joining us. I really appreciate the time that you spent. Thank you. Good luck with inventory.

Lucas Miller:

Thank you. And you too.

Gene Marks:

Take care.

Gene Marks:

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Announcer:

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